

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

United States Courts
Southern District of Texas
FILED

9 JUN 18 2003

Michael N. Milby, Clerk

MARK NEWBY, ET AL. ,

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Plaintiffs,

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v.

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CIVIL ACTION NO. H-01-3624

§

AND CONSOLIDATED CASES

§

ENRON CORPORATION, ET AL.,

§

Defendants.

§

**DEFENDANT KENNETH LAY'S ANSWER TO
PLAINTIFFS' FIRST AMENDED CONSOLIDATED COMPLAINT**

Pursuant to Rule 7 and Rule 8 of the Federal Rules of Civil Procedure, Defendant Kenneth Lay ("Lay") files the following Answer to Plaintiffs' First Amended Consolidated Complaint, and respectfully shows as follows:

In addition to the numbered paragraphs, plaintiffs have included a "Preamble" and numerous headings, subheadings, or quotations scattered intermittently throughout the Complaint. To the extent a response to such extraneous material is required, Lay denies all allegations not set forth in one of the numbered paragraphs. Further, in this answer, Lay has admitted certain allegations based on facts confirmed by the investigation of counsel. For such allegations, it therefore should not be inferred that Lay had personal, contemporaneous knowledge of the matters being admitted.

Response to Allegations

1. Lay admits that plaintiffs purport to bring this action as a class action against the individuals and entities named in paragraph 1, but denies that it may be properly brought as a class action on behalf of the alleged class.

2. In response to the allegations in paragraph 2, Lay denies the allegations in the first sentence of this paragraph. The allegation that Enron made positive statements about the current success, future prospects, and earning power of its retail, wholesale, and broadband businesses is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. The allegation that Enron reported very strong profits and profit growth and a strong balance sheet “prior to and during” the alleged class period is vague, ambiguous and overly broad, and Lay is thus without knowledge or information sufficient to form a belief about the truth of this allegation. Lay admits that Enron maintained an investment grade credit rating during the alleged class period. Lay admits that Enron’s common stock reached a price as high as \$90-3/4 and that Enron had a market capitalization of over \$70 billion in August 2000, but Lay denies the remaining allegations in this paragraph.

3. In response to the allegations in paragraph 3, Lay admits that, in October 2001, Enron announced a write-off of approximately \$1 billion and a reduction in shareholders’ equity of approximately \$1.2 billion. Lay admits that Enron’s stock price fell, its credit rating was downgraded to below investment grade, and it went bankrupt, but denies the remaining allegations in this paragraph.

4. In response to the allegations in paragraph 4, Lay admits that he was asked to resign as CEO and Chairman of the Board of Enron. The allegation that virtually all of Enron’s top insiders were “kicked out” is vague and ambiguous because it fails to identify specific individuals; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits that the SEC and DOJ are conducting investigations relating to Enron. Lay denies that Enron and Andersen have admitted destroying incriminating evidence, but admits that Andersen was indicted for obstruction of justice. Lay admits that he

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refused to testify based on the Fifth Amendment during Congressional hearings, but Lay denies that he refused to testify because his testimony would incriminate him. Lay is without knowledge or information sufficient to form a belief as to the truth of allegations about alleged losses by unspecified public investors. Plaintiffs' purported chart is vague and ambiguous as to the alleged price of Enron stock on any given day; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the plaintiffs' alleged chart of Enron's stock price. Lay denies the remaining allegations in this paragraph.

5. In response to the allegations of paragraph 5, the allegation that Enron's top executives sold little if any stock during the time period referenced in this paragraph is vague and ambiguous as to the persons who allegedly sold stock and the amounts allegedly sold; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits that Enron was formed in 1985. Lay denies the remaining allegations in this paragraph.

6. In response to the allegations in paragraph 6, Lay denies that he recruited Fastow. The allegation that Enron's stock price reached \$23-3/4 in "late 96" is vague and ambiguous because it fails to specify with particularity the date on which Enron's stock allegedly reached this price; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits that he asked Skilling to consider joining Enron as an officer. Lay denies the remaining allegations in this paragraph, except that he refers to Enron's financial statements for its profits and revenues during 1990-1996.

7. In response to the allegations in paragraph 7, Lay admits that plaintiffs have selectively quoted portions of a February 20, 2002 article in the New York Times. Lay admits

that James Alexander worked for Enron Global Power and Pipelines. Lay denies the remaining allegations in this paragraph.

8. In response to the allegations in paragraph 8, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to alleged actions by unspecified analysts. Lay admits that, in June 1997, Enron announced an after-tax charge of more than \$400 million relating to the settlement of all contractual issues involving the J-Block contract in the U. K. North Sea. Lay denies that Enron took a charge for MTBE “transactions.” Lay denies that Enron’s stock price lost exactly 1/3 of its value by the Fall of 1997, and further denies the remaining allegations in this paragraph.

9. In response to the allegations in paragraph 9, Lay denies there was a crisis for Enron’s top insiders and denies the allegations in the last sentence of this paragraph. Lay admits that Calpers was interested in monetizing its investment in JEDI. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

10. In response to the allegations in paragraph 10, Lay denies that he formed Chewco. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 10, except that Lay admits that Calpers apparently did sell its interest in JEDI.

11. Lay denies the allegations in paragraph 11.

12. In response to the allegations in paragraph 12, Lay denies that Enron merely “appeared” to evolve into a profitable, high-growth enterprise. The allegations that Enron reported “better-than-expected” performance and “higher-than-forecasted earnings” are vague and ambiguous because plaintiffs fail to specify the relevant benchmark for comparison; Lay is

therefore without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay denies that plaintiffs' chart accurately sets forth Enron's reported financial results.

13. In response to the allegations in paragraph 13, the allegation that Enron accounted for 25% of all U.S. energy trades is vague and ambiguous because of the failure to define the term "energy trade"; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay denies that the increase in Enron's stock price was because of "apparent success," but admits the remaining allegations in this paragraph.

14. In response to the allegations in paragraph 14, the allegation that Enron and its bankers consistently stressed the success of Enron's various business units and its strong financial condition and earnings is vague and ambiguous as to the time and the alleged speaker, and thus Lay is without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits that Andersen certified Enron's financial reports in 1998 through 2000. Plaintiffs also cite a number of alleged statements by "Enron, it[s] lawyers and Enron's banks," but plaintiffs have not identified the alleged speaker or the date or source for any of the alleged statements. Lay is therefore without knowledge or information sufficient to form a belief about the truth of the remaining allegations in paragraph 14.

15. In response to the allegations in paragraph 15, Lay denies that the performance of Enron securities was merely due to "apparent strong financial condition." Lay denies that plaintiffs have alleged the only factors for the strong performance of Enron's stock. Plaintiffs' alleged chart is vague and ambiguous because it fails to identify Enron's alleged stock price on any specific day; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of plaintiffs' alleged chart. Lay admits that Enron's stock traded for the prices

alleged by plaintiffs in the final sentence of this paragraph. Lay denies any remaining allegations in this paragraph.

16. In response to the allegations in paragraph 16, Lay denies that the performance of Enron securities was merely due to “apparent success,” and further denies that plaintiffs have accurately or completely described the reasons for Enron’s ability to access the capital markets. The allegation that defendants were “working together” is vague and ambiguous, and Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay denies any remaining allegations in this paragraph.

17. In response to the allegations in paragraph 17, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation regarding the alleged amount of insider sales over an unspecified period of time. Lay denies the remaining allegations in this paragraph.

18. Lay denies the allegations in paragraph 18.

19. In response to the allegations in paragraph 19, Lay admits that an investment grade credit rating was important to Enron’s trading businesses and further admits the allegation that an investment grade credit rating gave Enron access to the commercial paper market, but Lay denies that Enron’s credit rating was critical to or related to any scheme. Lay admits that Enron had a back-up credit line and refers to Enron’s SEC filings for the amount of that credit line. Lay admits that plaintiffs have quoted a statement attributed to Andrew Fastow in an October 23, 2001 conference call. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about an alleged statement by Skilling. Lay denies the remaining allegations in this paragraph.

20. Lay denies the allegations in paragraph 20.

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21. In response to the allegations in paragraph 21, Lay is without knowledge or information sufficient to form a belief as to truth of the allegations about the accounting rules for SPEs. Lay denies the remaining allegations in this paragraph.

22. In response to the allegations in paragraph 22, Lay denies that Enron used Chewco/JEDI to generate false profits. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 22, except that Lay admits that Calpers apparently did sell its interest and that Chewco's and JEDI's results were not consolidated from November 1997 to November 8, 2001.

23. In response to the allegations in paragraph 23, Lay denies the allegations in this paragraph, except that he is without knowledge or information sufficient to form a belief as to the truth of the allegations concerning alleged enrichment of "Fastow and his friends and several of Enron's bankers."

24. In response to the allegations in paragraph 24, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about assurances allegedly made to LJM investors. Lay denies the remaining allegations in this paragraph.

25. In response to the allegations in paragraph 25, Lay denies that Enron was a Ponzi scheme. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 25.

26. In response to the allegations in paragraph 26, Lay denies the allegations in the first sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

27. In response to the allegations in paragraph 27, Lay denies the allegations in the first sentence of this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations of this paragraph.

28. Lay is without knowledge or information sufficient to form a belief as to truth of the allegations in paragraph 28, except that Lay denies that Enron engaged in sham transactions and denies that such deals were necessary to avoid a very bad fourth quarter of 1999.

29. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 29.

30. In response to the allegations in paragraph 30, Lay admits that plaintiffs have selectively quoted portions of certain articles from Business Week, Bloomberg, and The Washington Post, but Lay denies the remaining allegations in this paragraph.

31. In response to the allegations in paragraph 31, Lay denies that Enron was a Ponzi scheme and denies that Enron was engaged in a scheme to defraud. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

32. In response to the allegations in paragraph 32, Lay admits that between June 1999 and June 2001 Enron or its subsidiaries entered into transactions with LJM1 or LJM2, and that such transactions were typically structured, reviewed and/or approved by outside counsel, auditors, and investment bankers. Lay denies the remaining allegations in this paragraph.

33. In response to the allegations in paragraph 33, Lay admits that the formation of LJM1 was approved for the purpose of hedging Enron's investment in the stock of Rhythms NetConnections, Inc. and that Enron or a subsidiary transferred Enron stock to certain SPEs and received notes. Lay denies the remaining allegations in this paragraph.

34. In response to the allegations in paragraph 34, Lay denies the allegations in the first sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

35. In response to the allegations in paragraph 35, Lay denies that he was involved in the restructuring and capitalization of the Raptors at the end of 2000; that the unwinding of the Raptors would have caused a vicious fatal down-cycle to kick in; that he was under ever-increasing pressure to support Enron's stock price; and that he was part of a scheme or artifice. Lay further denies that the unwinding of the Raptors would have exposed prior falsification of Enron's financial results. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about the alleged credit capacity problems of the Raptors. Lay denies the remaining allegations in this paragraph.

36. In response to the allegations in paragraph 36, Lay admits that Enron used "mark-to-market accounting" for certain assets, but Lay denies the remaining allegations in this paragraph.

37. In response to the allegations in paragraph 37, Lay admits that Enron's retail energy services business managed the energy needs of corporate customers for multi-year periods in return for fees to be paid over a period of years. Lay further admits that EES signed contracts that exceeded Enron's internal projections, but Lay denies that plaintiffs have accurately characterized the profitability of EES. The allegation that Enron's wholesale energy business consistently reported "strong" profit growth is vague and ambiguous due to the failure to define this phrase; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay denies the remaining allegations in this paragraph.

38. In response to the allegations in paragraph 38, Lay admits that plaintiffs have selectively excerpted portions of an August 2001 letter by an EES employee, but denies that the letter was addressed to the Board of Directors. Lay admits that Enron entered into certain contracts that required up-front expenditures on more energy efficient equipment. Lay denies the remaining allegations in this paragraph.

39. In response to the allegations in paragraph 39, Lay admits that Enron's broadband services business consisted of the build out of an 18,000 mile fiber optic network and bandwidth intermediation. The allegation that Enron presented its broadband services business as poised for great success is vague and ambiguous because the allegation does not specify the relevant time period (and particularly the timing in relation to the collapse of the broadband market); Lay therefore is without knowledge or information sufficient to respond to the remaining allegations in this paragraph.

40. In response to the allegations in paragraph 40, Lay admits that the Blockbuster joint venture was announced in July 2000 and that the agreement was designed to provide viewers with video-on-demand services. Lay further admits that Blockbuster ultimately was unable to obtain adequate legal rights to deliver certain movies. Lay denies the remaining allegations in this paragraph.

41. In response to the allegations in paragraph 41, Lay denies that Enron was forced to abandon the Blockbuster joint venture due to the failure of Enron's technology. Lay admits that Enron terminated the Blockbuster joint venture because Blockbuster ultimately was unable to perform on its promise to provide adequate content, but Lay denies that the VOD project was terminated at that time. Lay denies the remaining allegations in this paragraph.

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42. In response to the allegations in paragraph 42, Lay admits that Enron owned millions of shares in New Power Company when it was a private company; that the New Power IPO took place in October 2000; and that, after the IPO, Enron continued to hold millions of shares of New Power and warrants for millions of additional shares. Lay admits that Enron reported an earnings write-down and a reduction of shareholders' equity in October 2001, but denies that Enron shocked the markets. Lay denies the allegations in the first sentence of this paragraph. Lay also denies that Enron desperately needed to create profits in the fourth quarter of 2000, and further denies that Enron was a Ponzi scheme. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations regarding the alleged details of the Hawaii 125-0 and Porcupine transactions. Lay denies the remaining allegations in this paragraph.

43. In response to the allegations in paragraph 43, Lay admits that Enron's stock price went down in September 2001, but denies the remaining allegations in the first sentence of this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

44. Lay denies the allegations in paragraph 44, except that Lay is without knowledge or information sufficient to form a belief as to the truth of the last three sentences in this paragraph.

45. In response to the allegations in paragraph 45, Lay denies the allegations in the first sentence of this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged details of the Delta transactions. Lay denies the remaining allegations in this paragraph.

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46. In response to the allegations in paragraph 46, Lay denies the allegations in the third sentence of this paragraph. Lay denies plaintiffs' speculative allegations about an alleged death spiral for Enron based on the allegations in this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of allegations concerning the alleged knowledge of JP Morgan and CitiGroup and plaintiffs' speculative allegations about what might have happened if Enron had entered into loan transactions with JP Morgan and CitiGroup. Lay denies the remaining allegations in this paragraph.

47. In response to the allegations in paragraph 47, Lay denies that Enron entered into dubious and highly dangerous transactions. Lay denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

48. In response to the allegations in paragraph 48, Lay admits that, from 1996 to 2001, there were offerings of new debt and equity by Enron, Azurix, New Power, Osprey and Marlin, but Lay denies that plaintiffs' chart accurately or completely sets forth the details of those offerings. Lay admits that Enron needed access to capital because it was a rapidly growing company, that its investment grade credit rating was important, and that it was committed to enhancing shareholder value. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the alleged knowledge of persons other than Lay. Lay denies the remaining allegations in this paragraph.

49. In response to the allegations in paragraph 49, Lay admits that Azurix, Enron Oil & Gas, Osprey, New Power, Marlin and Yosemite engaged in security offerings, but Lay denies that plaintiffs' chart accurately or completely sets forth the details of those offerings.

50. In response to the allegations in paragraph 50, Lay admits that Enron had a very entrepreneurial culture and that Enron was focused on creating shareholder value. Lay also admits that Enron had monitors that displayed its stock price. Lay denies the remaining allegations in this paragraph.

51. In response to the allegations in paragraph 51, Lay is without knowledge or information sufficient to confirm or deny whether the unnamed former insiders actually made the alleged statements in this paragraph, but Lay denies that the statements accurately describe Enron's culture. Lay admits that Sherron Watkins wrote him a letter after August 14, 2001 and further admits that plaintiffs have selectively excerpted portions of that letter. Lay admits that this paragraph quotes selective portions of an article in Fortune, but Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged quote from the Business Week article. Lay denies the remaining allegations in this paragraph.

52. In response to the allegations in paragraph 52, Lay admits that Enron's stock price declined in late 2000 and early 2001, and that Enron's stock price was under pressure from short-sellers. The allegations about assurances of correct accounting and the high quality of Enron's reported earnings are vague and ambiguous as to who made such statements, when they were made, and what was said; Lay therefore is without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay denies the remaining allegations in this paragraph.

53. In response to the allegations in paragraph 53, Lay denies that he had knowledge in March 2001 of the Raptors restructuring or the facts and circumstances surrounding such restructuring. Lay admits that on October 16, 2001 Enron made an adjustment to shareholder equity to correct an accounting error made by Andersen. Lay is without knowledge or

information sufficient to form a belief as to the truth of allegations relating to the details of the Raptors restructuring. Lay denies the remaining allegations in this paragraph.

54. In response to the allegations in paragraph 54, the allegation that Enron reported record results “during early 01” is vague and ambiguous as to the results to which plaintiffs are referring; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Further, the allegation that Enron and its lawyers and bankers made positive statements is vague and ambiguous because plaintiffs have failed to identify the alleged speaker, the source of the alleged statement, the exact words that were said, and the timing of the alleged statement; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

55. Lay denies the allegations in paragraph 55.

56. In response to the allegations in paragraph 56, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

57. In response to the allegations in paragraph 57, Lay admits that Enron announced on August 14, 2001 that Skilling was resigning for personal reasons. Lay denies the remaining allegations in this paragraph.

58. In response to the allegations in paragraph 58, Lay is without knowledge or information sufficient to form a belief as to alleged destruction of documents by Andersen. Lay denies the remaining allegations in paragraph 58.

59. In response to the allegations in paragraph 59, Lay admits that plaintiffs have selectively excerpted portions of letters written by two employees. Lay admits that one of the selectively quoted letters was addressed to Enron’s Board of Directors, but denies that the other

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selectively quoted letter was addressed to the Board of Directors. Lay denies the remaining allegations in this paragraph.

60. Lay denies the allegations in paragraph 60.

61. In response to the allegations in paragraph 61, Lay admits that the numbers in the chart reflect the amount of the restatement and refers plaintiffs to Enron's November 8, 2001 8-K for a true and complete statement of the restatement; that Enron retroactively consolidated Chewco and JEDI in Enron's consolidated balance sheet; that in November 2001 Enron made \$51 million in "prior year proposed audit adjustments and reclassifications" for 1997; that Fastow resigned; and that the Wall Street Journal published a series of articles. Lay denies the remaining allegations in this paragraph.

62. Lay denies the allegations in paragraph 62.

63. Lay denies the allegations in paragraph 63.

64. In response to the allegations in paragraph 64, Lay admits that merger discussions were initiated with Dynegey. Lay is without knowledge or information sufficient to form a belief as to the truth of alleged potential fees to JP Morgan and CitiGroup. Lay denies the remaining allegations in this paragraph.

65. In response to the allegations in paragraph 65, Lay denies that Enron was a Ponzi scheme or that there was an Enron scheme. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

66. In response to the allegations in paragraph 66, Lay admits that Dynegey decided not to acquire Enron, that Enron's publicly-traded debt was downgraded to below investment grade, and that Enron filed for bankruptcy on December 2, 2002. Lay admits that certain purchasers of Enron securities, like Lay, have lost substantial amounts of money on the Enron

securities they owned. Lay admits that Harrison apparently did call Moody's, but denies that plaintiffs have accurately or completely characterized the purpose of that call. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about specific alleged efforts by Rubin. Lay denies the remaining allegations in this paragraph.

67. In response to the allegations in paragraph 67, Lay admits that it was his understanding that Enron's disclosures generally were approved, in whole or in part, by its outside auditor and outside counsel. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations concerning alleged payments received by Fastow, Kopper, and others. Lay denies the remaining allegations in this paragraph.

68. In response to the allegations in paragraph 68, Lay admits that he invoked his Fifth Amendment right not to testify before Congress, but Lay denies that he did so to avoid incriminating himself. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about Nancy Temple and the alleged destruction of documents by Andersen. Lay admits that other Enron executives and certain persons affiliated with Andersen were asked to testify by Congress and that some of those persons invoked their Fifth Amendment right not to testify, but Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about such persons' alleged reasons for doing so. Lay denies the remaining allegations in this paragraph.

69. In response to the allegations in paragraph 69, Lay admits that plaintiffs have quoted portions of two articles in Newsweek, but Lay denies the remaining allegations in this paragraph.

70. In response to the allegations in paragraph 70, Lay denies the allegations in the first paragraph. Lay denies the allegations in subsections (a), (b), and (c) to the extent they relate

to Enron or to the extent plaintiffs allege that Enron was a Ponzi scheme or that there was a fraudulent scheme by the defendants. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in subsections (a), (b), and (c), which contain allegations about the alleged conduct and/or mental state of Andersen, Vinson & Elkins, and the defendant banks.

71. In response to the allegations in paragraph 71, Lay admits that plaintiffs have selectively excerpted a portion of a New York Times article, but denies the remaining allegations in this paragraph.

72. In response to the allegations in paragraph 72, Lay admits that plaintiffs have excerpted selective portions of an article from the Dow Jones News Service. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

73. In response to the allegations in paragraph 73, Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged proceeds of insider sales, the alleged total cash bonuses, the fees allegedly received by Andersen and the law firm or bank defendants, or the returns received by LJM investors. Lay denies the remaining allegations in this paragraph.

74. In response to the allegations in paragraph 74, Lay denies that plaintiffs' chart accurately characterizes the facts and circumstances leading up to the filing of bankruptcy by Enron. Lay denies the remaining allegations in this paragraph.

75. In response to the allegations in paragraph 75, Lay admits that plaintiffs purport to assert the claims alleged in this paragraph. Lay denies that plaintiffs' alleged claims are valid.

76. In response to the allegations in paragraph 76, Lay admits that plaintiffs purport to base jurisdiction on the statutes cited in this paragraph, but Lay denies that plaintiffs have a valid basis on which to assert any claims under federal or state law.

77. In response to the allegations in paragraph 77, Lay admits that Enron maintains its principal place of business in this district. The allegation that many of the acts and practices complained of herein occurred in this district is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Plaintiffs' allegation that venue is proper in this district is a legal conclusion to which Lay is not required to respond.

78. In response to the allegations in paragraph 78, Lay denies that he committed the actions alleged in plaintiffs' complaint, and therefore denies the allegations in this paragraph.

79. In response to the allegations in paragraph 79, Lay admits that the Court has appointed the Regents of the University of California (the "Regents") as lead plaintiff, but Lay denies that the Regents have any valid basis for bringing a claim. Lay is without knowledge or information sufficient to form a belief as to the truth of the amount of Enron securities allegedly purchased by the Regents. Lay denies the remaining allegations in this paragraph.

80. In response to the allegations in paragraph 80, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

81. In response to the allegations in paragraph 81, Lay admits that the persons or entities referenced therein purport to bring claims as plaintiffs in this case, but Lay denies that such persons or entities have any valid claims. Lay further denies that the plaintiffs purchased Enron stock at artificially inflated prices, and denies any remaining allegation of improper or

fraudulent conduct by Enron or Lay. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

82. In response to the allegations in paragraph 82, Lay admits that Enron is not presently named as a defendant in plaintiffs' consolidated complaint. Lay is without knowledge or information sufficient to form a belief as to the truth of plaintiffs' purported reason for not filing an action against Enron or plaintiffs' alleged efforts to lift the bankruptcy stay.

83. In response to the allegations in paragraph 83(a), Lay admits that he was a member of Enron's Board of Directors, Chairman of the Board, and Chief Executive Officer at certain times during the alleged class period. Lay admits that he was CEO from 1986 until February 2001 and from August 2001 until January 23, 2002 and Chairman of the Board from 1986 until January 23, 2002. Lay denies the remaining allegations in this paragraph, including but not limited to the alleged facts in plaintiffs' purported chart of alleged sales by Lay.

In response to the allegations in paragraph 83(b) through (ee), Lay admits that plaintiffs have alleged the names and positions of Enron executives and/or board members, but Lay is without knowledge or information sufficient to form a belief as to the truth of allegations relating to the exact times when such persons served in such positions. Lay further admits that plaintiffs have deleted the names of certain defendants in their amended complaint. Lay denies any remaining allegations of improper or fraudulent actions by Enron. Lay admits that plaintiffs have alleged the name and position of other Enron-related defendants, but Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in subsections (b) through (ee) since those allegations relate to alleged conduct by other defendants.

In response to the allegations in paragraph 83(ff), Lay admits that plaintiffs refer to the defendants collectively throughout their consolidated complaint, but Lay denies that such group pleading is appropriate. Lay denies the remaining allegations in this paragraph.

In response to the allegations in paragraph 83(gg), (hh), and (ii), Lay admits that he served as a director of Azurix and as a director of New Power. Lay denies the remaining allegations in these subsections.

In response to the allegations in paragraph 83(jj), Lay admits that Baxter held various executive positions with Enron, but Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the precise timing of those positions. Lay denies that Enron had false financial reports. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this subsection.

84. In response to the allegations in paragraph 84, plaintiffs make legal conclusions about the duties of officers, directors and/or alleged controlling persons to which Lay need not respond. Lay is without knowledge or information sufficient to form a belief as to the alleged sales of Enron stock by persons other than himself. Lay denies that plaintiffs have alleged correctly the number of shares he sold or the alleged proceeds of such sales, and Lay denies the remaining allegations in this paragraph.

85. In response to the allegations in paragraph 85, Lay admits that Enron had Audit, Finance and Executive Committees, but Lay denies that plaintiffs have made an accurate and complete description of the roles of those committees, and refers to Enron's Charter for an accurate and complete description. The allegations that these committees met frequently and received detailed written and oral reports is vague and ambiguous, and Lay is therefore without

knowledge or information sufficient to form a belief as to the truth of these allegations. Lay denies any remaining allegations in this paragraph.

86. In response to the allegations in paragraph 86, Lay admits that he served on the committees and in the positions alleged in this paragraph. Lay denies that plaintiffs' chart accurately and completely sets forth the information relating to other directors.

87. In response to the allegations in paragraph 87, Lay admits that he served on the committees and in the positions alleged in this paragraph. Lay denies that plaintiffs' chart accurately sets forth the Board Committee memberships for 1997 through 2001.

88. In response to the allegations in paragraph 88, Lay admits that Enron had a Management Committee. Lay denies the allegations in the second sentence of this paragraph. Lay admits that he served on the Executive Committee in 1997 through 2000; that he was Chairman of the Board of Directors in 1997 through 2000; but Lay denies that the allegations in this paragraph accurately set forth the time period during which he served as Chief Executive Officer. Lay has general knowledge about the composition of Enron's Management Committee and the approximate times when such persons served, but he cannot confirm or deny the exact composition of the committee for each year; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay denies the remaining allegations in this paragraph.

89. Lay denies the allegations in paragraph 89.

90. Lay denies the allegations in paragraph 90.

91. In response to the allegations in paragraph 91, Lay admits that plaintiffs refer to the Andersen defendants collectively, but he is without knowledge or information sufficient to form a belief as to truth of the remaining allegations in this paragraph.

92. The allegations in paragraph 92 relate to the Andersen defendants and do not relate to Lay; thus, Lay need not respond to the allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

93. The allegations in paragraph 93 relate to the Andersen defendants and do not relate to Lay; thus, Lay need not respond to the allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

94. The allegations in paragraph 94 relate to the Andersen defendants and do not relate to Lay; thus, Lay need not respond to the allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

95. Lay admits that plaintiffs have deleted the allegations in paragraph 95.

96. The allegations in paragraph 96 relate to the Andersen defendants and do not relate to Lay; thus, Lay need not respond to the allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph, except that he admits plaintiffs allege Berardino is a control person of Andersen.

97. The allegations in paragraph 97 relate to the Andersen defendants and do not relate to Lay; thus, Lay need not respond to the allegations in this paragraph. Lay admits that plaintiffs have made additional allegations relating to Andersen in paragraphs 897-982. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

98. In response to the allegations in paragraph 98, Lay admits that Enron retained Vinson & Elkins as its outside counsel for certain matters. Lay denies the remaining allegations in this paragraph.

99. Lay admits that plaintiffs have deleted the allegations in paragraph 99.

99.1 The allegations in paragraph 99.1 relate to the bank defendants and do not relate to Lay; thus, Lay need not respond to the allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 99.1.

100. In response to the allegations in paragraph 100, Lay denies the allegations in the second sentence, and further denies there was a fraudulent scheme; that Enron engaged in sham transactions; that Enron falsified its financial disclosures; and denies any remaining allegations relating to alleged wrongdoing by Enron. Lay admits that JP Morgan or various related entities acted as investment bank representatives and/or underwriters for Enron or Enron affiliates on certain transactions. Lay is without knowledge or information sufficient to form a belief as to truth of the remaining allegations in this paragraph.

101. In response to the allegations in paragraph 101, Lay denies the allegations in the second sentence, and further denies there was a fraudulent scheme; that Enron engaged in sham transactions; that Enron falsified its financial disclosures; and denies any remaining allegations relating to alleged wrongdoing by Enron. Lay admits that plaintiffs have now named additional Citibank-related entities as defendants. Lay admits that Citibank or various related entities acted as investment bank representatives and/or underwriters for Enron or Enron affiliates on certain transactions. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

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102. In response to the allegations in paragraph 102, Lay denies the allegations in the second sentence, and further denies there was a fraudulent scheme; that Enron engaged in sham transactions; that Enron falsified its financial disclosures; and denies any remaining allegations relating to alleged wrongdoing by Enron. Lay admits that plaintiffs have now named additional CS First Boston-related entities as defendants. Lay admits that CS First Boston or various related entities acted as investment bank representatives and/or underwriters for Enron or Enron affiliates on certain transactions. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

103. In response to the allegations in paragraph 103, Lay denies the allegations in the second sentence, and further denies there was a fraudulent scheme; that Enron engaged in sham transactions; that Enron falsified its financial disclosures; and denies any remaining allegations relating to alleged wrongdoing by Enron. Lay admits that plaintiffs have now named additional CIBC-related entities as defendants. Lay admits that CIBC or various related entities acted as underwriters for Enron or Enron affiliates on certain transactions. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

104. In response to the allegations in paragraph 104, Lay admits that Bank of America or various related entities acted as underwriters for Enron or Enron affiliates on certain transactions. Lay admits that plaintiffs' amended complaint does not pursue a section 10(b) claim against Bank of America. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

105. In response to the allegations in paragraph 105, Lay denies the allegations in the second sentence, and further denies there was a fraudulent scheme; that Enron engaged in sham

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transactions; that Enron falsified its financial disclosures; and denies any remaining allegations relating to alleged wrongdoing by Enron. Lay admits that Merrill Lynch or various related entities acted as underwriters for Enron or Enron affiliates on certain transactions. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

106. In response to the allegations in paragraph 106, Lay denies the allegations in the second sentence, and further denies there was a fraudulent scheme; that Enron engaged in sham transactions; that Enron falsified its financial disclosures; and denies any remaining allegations relating to alleged wrongdoing by Enron. Lay admits that Barclays or various related entities acted as underwriters for Enron or Enron affiliates on certain transactions. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

107. In response to the allegations in paragraph 107, Lay denies the allegations in the second sentence, and further denies there was a fraudulent scheme; that Enron engaged in sham transactions; that Enron falsified its financial disclosures; and denies any remaining allegations relating to alleged wrongdoing by Enron. Lay admits that Deutsche Bank or various related entities acted as underwriters for Enron or Enron affiliates on certain transactions. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

108. In response to the allegations in paragraph 108, Lay denies the allegations in the second sentence, and further denies there was a fraudulent scheme; that Enron engaged in sham transactions; that Enron falsified its financial disclosures; and denies any remaining allegations relating to alleged wrongdoing by Enron. Lay admits that Lehman Brothers or various related

entities acted as underwriters for Enron or Enron affiliates on certain transactions. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

109. In response to the allegations in paragraph 109, Lay admits that he signed Enron's 1997 10-K. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations that the 10-K was actually signed by the other persons in this paragraph.

110. In response to the allegations in paragraph 110, Lay denies that the financial results were materially false and misleading in violation of GAAP as alleged by plaintiffs. Lay admits that he signed the registration statement, but denies that plaintiffs have accurately and completely set forth the contemplated uses of the proceeds of the security issuance. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that the registration statement was actually signed by persons other than Lay. Lay denies that plaintiffs have accurately or completely described the terms of the offering or the underwriters involved in the offering.

111. In response to the allegations in paragraph 111, Lay denies that plaintiffs have accurately and completely set forth the contemplated uses of the proceeds of the security issuance, but admits the remaining allegations in this paragraph.

112. In response to the allegations in paragraph 112, Lay admits that plaintiffs have selectively quoted portions of Enron's July 14, 1998 earnings release. The allegation that the earnings were better than expected is vague and ambiguous because plaintiffs have failed to identify any relevant benchmark for this statement; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits that Enron, in a release accompanied by appropriate cautionary language, reported that its major international

power plant and pipeline projects continued to progress on schedule and that Enron's Dabhol plan was 90% complete and was expected to begin commercial operations in December 1998. Lay denies any remaining allegations in this paragraph.

113. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 113.

114. In response to the allegations in paragraph 114, Lay admits that plaintiffs have selectively quoted portions of a July 24, 1998 Enron press release announcing the purchase of Wessex Water.

115. In response to the allegations in paragraph 115, Lay denies that plaintiffs have accurately quoted from a July 24, 1998 Bloomberg article.

116. In response to the allegations in paragraph 116, Lay denies that plaintiffs have accurately and completely set forth the contemplated uses of the proceeds of the security issuance or the underwriters involved in the offering, but Lay admits the remaining allegations in this paragraph.

117. In response to the allegations in paragraph 117, Lay admits that plaintiffs have selectively quoted a portion of a September 25, 1998 Enron press release.

118. In response to the allegations in paragraph 118, Lay admits that plaintiffs have selectively quoted portions of Enron's October 13, 1998 earnings release. The allegation that the earnings were better than expected is vague and ambiguous because plaintiffs have failed to identify any relevant benchmark for this statement; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation.

119. In response to the allegations in paragraph 119, Lay admits that Enron held a conference call on October 13, 1998 to discuss Enron's business and its results for the third

quarter of 1998. Lay denies the alleged statements were made collectively by Skilling, Koenig, Causey, and Fastow, and Lay further denies any remaining allegations in this paragraph.

120. Lay denies the allegations in paragraph 120.

121. In response to the allegations in paragraph 121, Lay denies the allegations in the first sentence of paragraph 121, and further denies the allegations in subsections (a), (b), (c), (d), (e), (g), (i), (j), and (k). Lay admits that Enron later wrote down the value of its water-related assets, but denies the remaining allegations in subsection (h).

132. In response to the allegations in paragraph 132, Lay denies that plaintiffs have accurately cited the EPS forecasts contained in the report, but Lay admits that plaintiffs otherwise have selectively quoted portions of a January 25, 1999 CIBC report.

133. In response to the allegations in paragraph 133, Lay admits that plaintiffs have selectively quoted a portion of a January 27, 1999 CitiGroup report.

134. In response to the allegations in paragraph 134, Lay admits that Enron filed a registration statement on February 3, 1999 that was signed by Lay. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that the registration statement was signed by the other persons listed in this paragraph. Lay denies the remaining allegations in this paragraph.

135. In response to the allegations in paragraph 135, Lay admits that there was a February 1999 offering, but denies that plaintiffs have accurately or completely described the terms of the offering. Lay denies the remaining allegations in paragraph 135.

136. In response to the allegations in paragraph 136, Lay admits that he understood it was the general practice for Vinson & Elkins and Andersen to review and approve, in whole or in part, Enron's annual reports. Lay is without knowledge or information sufficient to form a

belief as to the truth of the allegation that all of the Enron defendants then with the company reviewed and approved the document. Lay further admits that plaintiffs have selectively excerpted portions of Enron's 1998 Annual Report, but Lay denies any remaining allegations in this paragraph.

137. In response to the allegations in paragraph 137, Lay admits that plaintiffs have selectively quoted a portion of Enron's Annual Report discussing the Dabhol power plant.

138. In response to the allegations in paragraph 138, Lay admits that plaintiffs have selectively quoted a portion of Enron's Annual Report discussing EES.

139. In response to the allegations in paragraph 139, Lay admits that plaintiffs have selectively quoted a portion of Enron's Annual Report discussing Azurix.

140. In response to the allegations in paragraph 140, the allegation that Enron reported "huge increases" is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay denies that plaintiffs have set forth the EPS that actually appeared in Enron's Annual Report, but Lay admits the remaining allegations.

141. In response to the allegations in paragraph 141, Lay admits that it was his understanding that Vinson & Elkins would participate in the drafting process for Enron's 10-K's, and Lay further admits that Andersen certified Enron's results without qualification. Lay admits that he signed the 1998 10-K and that the 10-K was filed in March 1999. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that the 10-K was actually signed by the other persons listed in this paragraph.

142. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 142.

143. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 143.

144. In response to the allegations in paragraph 144, Lay admits that plaintiffs have selectively quoted a portion of Enron's April 13, 1999 earnings release. The allegation that Enron reported better than expected earnings is vague and ambiguous because plaintiffs have failed to provide a relevant benchmark; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation.

145. In response to the allegations in paragraph 145, Lay admits that Enron held a conference call on April 13, 1999. Lay denies that the alleged statements in this paragraph were made collectively by Lay, Skilling, Koenig and Causey. Because of the failure to identify the alleged speaker for each alleged statement, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

146. In response to the allegations in paragraph 146, Lay denies that plaintiffs have accurately cited the EPS forecasts contained in the report, and further denies that plaintiffs have accurately or completely set forth the growth rate forecast in the report, but Lay admits that plaintiffs otherwise have selectively quoted portions of a April 13, 1999 Deutsche Bank report or cited information from that report.

147. In response to the allegations in paragraph 147, Lay denies that plaintiffs have accurately cited the EPS forecasts contained in the report, but Lay admits that plaintiffs otherwise have selectively quoted portions of an April 13, 1999 Merrill Lynch report.

148. In response to the allegations in paragraph 148, Lay denies that plaintiffs have accurately cited the EPS forecasts contained in the report, but Lay admits that plaintiffs

otherwise have selectively quoted portions of an April 14, 1999 CIBC report or cited information from that report.

149. In response to the allegations in paragraph 149, Lay denies that plaintiffs have accurately cited the EPS forecasts contained in the report, but Lay admits that plaintiffs otherwise have selectively quoted portions of an April 15, 1999 Merrill Lynch report.

150. In response to the allegations in paragraph 150, Lay denies that plaintiffs have accurately cited the EPS forecasts contained in the report, but Lay admits that plaintiffs otherwise have selectively quoted portions of a May 7, 1999 Lehman Brothers report or cited information from that report.

151. In response to the allegations in paragraph 151, Lay denies that plaintiffs have accurately or completely set forth the proposed uses of the security issuance proceeds, but admits that plaintiffs otherwise have described certain terms of the offering.

152. In response to the allegations in paragraph 152, Lay denies that plaintiffs have accurately cited the EPS forecasts contained in the report, but Lay admits that plaintiffs otherwise have selectively quoted portions of a May 25, 1999 Deutsche Bank report or cited information from that report.

153. In response to the allegations in paragraph 153, Lay denies that plaintiffs have accurately cited the EPS forecasts contained in the report, but Lay admits that plaintiffs otherwise have selectively quoted portions of a June 9, 1999 JP Morgan report or cited information from that report.

154. In response to the allegations in paragraph 154, Lay denies that plaintiffs have accurately cited the EPS forecasts contained in the report, but Lay admits that plaintiffs

otherwise have selectively quoted portions of a July 6, 1999 CS First Boston report or cited information from that report.

155. In response to the allegations in paragraph 155, Lay denies the allegations in the first two sentences, and further denies the allegations in subsections (a), (b), (c), (d), (f), (g), (h), (i), (j), (l), (m), (n), (o), and (p).

In response to the allegations in subsection (e), Lay admits that RAC generally prepared net present value calculations for proposed international deals, but Lay denies the remaining allegations in this subsection.

In response to the allegations in subsection (k), Lay denies the allegations in the first three sentences of this subsection, and denies the allegations in the final sentence of this subsection. Lay further denies that the alleged snowball grew exponentially. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in subsection (k). Lay further denies any remaining allegations in paragraph 155.

156. In response to the allegations in paragraph 156, Lay denies that plaintiffs have accurately quoted Enron's July 13, 1999 earnings release. The allegation that Enron reported better than expected earnings is vague and ambiguous because plaintiffs have failed to provide a relevant benchmark; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation.

157. In response to the allegations in paragraph 157, Lay admits that Enron held a conference call on July 13, 1999. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

158. In response to the allegations in paragraph 158, Lay denies that plaintiffs have accurately cited the EPS forecasts contained in the report, but Lay admits that plaintiffs

otherwise have selectively quoted portions of a July 13, 1999 CS First Boston report or cited information from that report.

159. In response to the allegations in paragraph 159, Lay denies that plaintiffs have accurately cited the EPS forecasts contained in the report, but Lay admits that plaintiffs otherwise have selectively quoted portions of a July 13, 1999 Deutsche Bank report or cited information from that report.

160. In response to the allegations in paragraph 160, Lay admits that plaintiffs have selectively quoted a portion of a July 14, 1999 article in the Houston Chronicle.

161. In response to the allegations in paragraph 161, Lay denies that plaintiffs have accurately cited the EPS forecasts contained in the report, but Lay admits that plaintiffs otherwise have selectively quoted portions of a July 14, 1999 CIBC report.

162. In response to the allegations in paragraph 162, Lay denies that plaintiffs have accurately cited the EPS forecasts contained in the report, but Lay admits that plaintiffs otherwise have selectively quoted portions of a July 14, 1999 Merrill Lynch report or cited information from that report.

163. In response to the allegations in paragraph 163, Lay denies that plaintiffs have accurately cited the EPS forecasts contained in the report, but Lay admits that plaintiffs otherwise have selectively quoted portions of a July 20, 1999 CitiGroup report or cited information from that report.

164. In response to the allegations in paragraph 164, Lay denies the allegations in the second sentence. Lay admits the allegations in the first sentence and admits that he signed the registration statement. Lay is without knowledge or information sufficient to form a belief as to

the truth of the allegation that the Form S-3 was actually signed by the other persons listed in this paragraph. Lay denies any remaining allegations in this paragraph.

165. In response to the allegations in paragraph 165, Lay denies that the financial results were false. Lay denies that plaintiffs have accurately or completely set forth the proposed uses of the security issuance proceeds, and Lay further denies that plaintiffs have accurately or completely described the underwriters participating in the offering or the amount of the offering. Lay denies any remaining allegations in this paragraph.

166. In response to the allegations in paragraph 166, Lay denies that the report contains a “buy” recommendation, but Lay admits that plaintiffs have otherwise selectively quoted a portion of an August 20, 1999 CitiGroup report or cited information from that report.

167. In response to the allegations in paragraph 167, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

168. In response to the allegations in paragraph 168, Lay admits that plaintiffs have selectively quoted a portion of a September 14, 1999 Dow Jones Energy Service article, and further admits that he appeared at a Dain Rauscher Energy Conference. Lay denies the remaining allegations in this paragraph.

169. In response to the allegations in paragraph 169, Lay admits that plaintiffs have selectively quoted a portion of a September 20, 1999 CitiGroup report or cited information from that report.

170. In response to the allegations in paragraph 170, Lay denies that plaintiffs have accurately cited the EPS forecasts contained the report, but Lay admits that plaintiffs otherwise have selectively quoted portions of a September 21, 1999 Lehman Brothers report or cited information from that report.

171. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 171.

172. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 172.

173. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 173.

174. In response to the allegations in paragraph 174, Lay admits that plaintiffs have selectively quoted a portion of an October 1, 1999 Bloomberg News article.

175. In response to the allegations in paragraph 175, Lay admits that plaintiffs have selectively quoted a portion of an October 1, 1999 article in CFO Magazine.

176. In response to the allegations in paragraph 176, Lay admits that plaintiffs have selectively quoted a portion of an October 7, 1999 CIBC report or cited information from that report.

177. In response to the allegations in paragraph 177, Lay admits that plaintiffs have selectively quoted a portion of Enron's October 12, 1999 earnings release. The allegation that Enron reported better than expected earnings is vague and ambiguous because plaintiffs have failed to provide a relevant benchmark for comparison; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation.

178. In response to the allegations in paragraph 178, Lay admits that plaintiffs have selectively quoted a portion of an October 12, 1999 Bloomberg article.

179. In response to the allegations in paragraph 179, Lay admits that it would have been the normal practice for Enron to hold a conference call on October 12, 1999, since earnings were released that day, but Lay is without knowledge or information sufficient to form a belief as

to the truth of the allegation that a conference call was actually held that day. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

180. In response to the allegations in paragraph 180, Lay admits that plaintiffs have selectively quoted a portion of an October 12, 1999 CS First Boston report or cited information from that report.

181. In response to the allegations in paragraph 181, Lay admits that plaintiffs have selectively quoted a portion of an October 12, 1999 Merrill Lynch report or cited information from that report.

182. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 182.

183. In response to the allegations in paragraph 183, Lay admits that plaintiffs have selectively quoted a portion of an October 13, 1999 CIBC report or cited information from that report.

184. In response to the allegations in paragraph 184, Lay denies that Deutsche Bank issued an October 13, 1999 report as alleged by plaintiffs.

185. In response to the allegations in paragraph 185, Lay admits that plaintiffs have selectively quoted a portion of an October 15, 1999 Bank of America report or cited information from that report.

186. In response to the allegations in paragraph 186, Lay admits that plaintiffs have selectively quoted a portion of an October 20, 1999 CitiGroup report or cited information from that report.

187. In response to the allegations in paragraph 187, Lay admits that plaintiffs have selectively quoted a portion of a November 2, 1999 Dow Jones Energy Service article.

188. In response to the allegations in paragraph 188, Lay admits that Enron's stock price increased in 1999, and that Enron's stock traded as high as \$43 per share in November 1999. The allegation that Enron reported "strong" results in 1998 and in the first three quarters of 1999 is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. The allegations about Enron's stock price in December 1998 and August 1999 are vague and ambiguous because plaintiffs allege a specific price over an entire month; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay denies that Enron's stock price was artificially inflated; that he sold any stock to take advantage of such alleged artificial inflation; and that he pocketed any illegal insider trading proceeds. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about insider sales by persons other than Lay. Lay denies the remaining allegations in this paragraph.

189. In response to the allegations in paragraph 189, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in the first sentence or the allegation that Enron's stock price weakened because of such alleged rumors. Lay admits that Enron's stock had a closing price of \$34-7/8 on November 23, 1999. Lay denies the remaining allegations in this paragraph.

190. In response to the allegations in paragraph 190, Lay admits that plaintiffs have selectively quoted a portion of a November 26, 1999 JP Morgan report or cited information from that report.

191. In response to the allegations in paragraph 191, Lay admits that plaintiffs have selectively quoted a portion of a November 30, 1999 CS First Boston report or cited information from that report.

192. In response to the allegations in paragraph 192, Lay admits that plaintiffs have selectively quoted a portion of a December 2, 1999 Enron press release.

193. In response to the allegations in paragraph 193, Lay admits that Bank of America issued a December 16, 1999 report and admits the allegations in the second sentence, but Lay denies that plaintiffs have accurately quoted that report.

194. In response to the allegations in paragraph 194, Lay admits that CIBC issued a January 6, 2000 report and admits the allegations in the second sentence, but Lay denies that plaintiffs have accurately quoted that report.

195. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph 195.

196. In response to the allegations in paragraph 196, Lay admits that plaintiffs have selectively excerpted portions of Enron's January 18, 2000 earnings release. The allegation that Enron reported better than expected earnings is vague and ambiguous because plaintiffs have failed to provide a relevant benchmark; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation.

197. In response to the allegations in paragraph 197, Lay admits that Enron held an earnings conference call on January 18, 2000. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

198. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 198.

199. In response to the allegations in paragraph 199, Lay admits that CIBC issued a report on January 18, 2000 and admits the allegations in the second sentence, but Lay denies that plaintiffs have accurately quoted that report.

200. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 200.

201. In response to the allegations in paragraph 201, Lay admits that plaintiffs have selectively quoted portions of a January 18, 2000 Merrill Lynch report or cited information from that report.

202. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 202.

203. In response to the allegations in paragraph 203, Lay admits that plaintiffs have selectively quoted portions of a January 20, 2000 Bank of America report or cited information from that report.

204. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 204.

205. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 205.

206. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 206.

207. In response to the allegations in paragraph 207, Lay admits that plaintiffs have selectively quoted portions of a January 21, 2000 CIBC report or cited information from that report.

208. In response to the allegations in paragraph 208, Lay admits that plaintiffs have selectively quoted portions of a January 21, 2000 Merrill Lynch report or cited information from that report.

209. In response to the allegations in paragraph 209, Lay admits that plaintiffs have selectively quoted portions of a January 24, 2000 Merrill Lynch report or cited information from that report.

210. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 210.

211. In response to the allegations in paragraph 211, Lay admits that plaintiffs have selectively quoted portions of a February 9, 2000 JP Morgan report or cited information from that report.

212. In response to the allegations in paragraph 212, Lay denies that plaintiffs have quoted from a February 16, 2000 Bloomberg article. Lay admits that he appeared at an investor conference in New York on February 16, 2000.

213. In response to the allegations in paragraph 213, Lay admits that plaintiffs have selectively quoted portions of a February 28, 2000 CS First Boston report or cited information from that report.

214. In response to the allegations in paragraph 214, Lay denies the allegations in the first two sentences in this paragraph, and further denies the allegations in subsections (a), (b), (c), (d), (f), (h), (i), (l), (m), (n), (o), (p), (q), and (r).

In response to the allegations in paragraph 214(e), Lay admits that RAC generally performed a net present value analysis for prospective international deals. Lay is without

knowledge or information sufficient to form a belief as to the truth of the allegations relating to unnamed traders in London. Lay denies the remaining allegations in paragraph 214(e).

In response to the allegations in paragraph 214(g), Lay denies the allegations in the first paragraph. Lay admits that EES changed its business model to focus on commercial/industrial business and that Enron entered into demand-side management contracts. Lay denies the remaining allegations in paragraph 214(g).

In response to the allegations in paragraph 214(j), Lay admits that Enron occasionally sold or exchanged dark-fiber with certain counterparties, but Lay denies plaintiffs' allegation that such transactions have no economic purpose or substance. Lay denies that plaintiffs have accurately defined a dark fiber swap. Lay denies the remaining allegations in paragraph 214(j). Lay further denies any remaining allegations in paragraph 214.

215. In response to the allegations in paragraph 215, Lay admits that Enron issued its 1999 report to shareholders on or about March 31, 2000; that he understood it was the general practice for Andersen and Vinson & Elkins to review and approve, in whole or in part, Enron's annual reports; that the Annual Report included a letter signed by Lay and Skilling; and that plaintiffs have selectively quoted portions of the letter signed by Lay and Skilling. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that the annual report was approved by all Enron Defendants then with Enron.

216. In response to the allegations in paragraph 216, Lay admits that plaintiffs have selectively excerpted a portion of Enron's 1999 Annual Report.

217. In response to the allegations in paragraph 217, Lay admits that plaintiffs have selectively excerpted a portion of Enron's 1999 Annual Report.

218. In response to the allegations in paragraph 218, Lay admits that plaintiffs have selectively excerpted a portion of Enron's 1999 Annual Report.

219. In response to the allegations in paragraph 219, Lay admits that plaintiffs have selectively excerpted a portion of Enron's 1999 Annual Report.

220. In response to the allegations in paragraph 220, Lay admits that plaintiffs have selectively excerpted a portion of Enron's 1999 Annual Report. Lay further admits that Enron's 1999 financial results were certified by Andersen.

221. In response to the allegations in paragraph 221, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that persons other than himself actually signed the Form 10-K. The term "clean opinion" is ambiguous, including but not limited to plaintiffs' intended implication from the use of this term; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the allegation that Andersen gave a "clean opinion." Lay admits the remaining allegations in this paragraph.

222. In response to the allegations in paragraph 222, the allegations that Enron reported better than expected earnings and that Enron held its most bullish analyst conference ever are vague and ambiguous because plaintiffs have failed to provide a relevant benchmark; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits that Enron's stock reached the price of \$73 per share in late January 2000 and that the price reached \$78 per share in March 2000. Lay denies that the price of Enron's stock was artificially inflated and further denies that he sold any Enron stock to take advantage of the allegedly artificially inflated price. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations concerning the number of shares, price, and total proceeds of insider sales. Lay denies the remaining allegations in this paragraph.

223. In response to the allegations in paragraph 223, Lay admits that plaintiffs have selectively excerpted portions of Enron's April 12, 2000 earnings release. The allegation that Enron reported better than expected earnings is vague and ambiguous because plaintiffs have failed to provide a relevant benchmark; Lay is therefore without knowledge or information sufficient to admit or deny this allegation.

224. In response to the allegations in paragraph 224, Lay admits that Enron held an analyst conference call on April 12, 2000. Lay denies that he appeared at an Enron Analyst Meeting in Houston on April 13, 2000. Lay denies that the alleged statements in this paragraph were made collectively by Lay, Skilling, Koenig, Causey, and Fastow. Because of plaintiffs' failure to identify the alleged speaker for each alleged statement, as well as plaintiffs' failure to identify whether the alleged statements were made during the April 12, 2000 conference call or the April 13, 2000 analyst meeting, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

225. In response to the allegations in paragraph 225, Lay admits that plaintiffs have selectively excerpted a portion of an April 12, 2000 article in Bloomberg News.

226. In response to the allegations in paragraph 226, Lay admits that plaintiffs have selectively quoted portions of an April 12, 2000 Merrill Lynch report or information cited in that report.

227. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 227.

228. In response to the allegations in paragraph 228, Lay admits that plaintiffs have selectively excerpted portions of an April 13, 2000 article in the Houston Chronicle.

229. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 229.

230. In response to the allegations in paragraph 230, Lay admits that CIBC issued a report rating Enron a “Buy” on April 12, 2000 and further admits that the report contains the EPS forecasts alleged by plaintiffs, but Lay denies that plaintiffs have accurately quoted from that report.

231. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 231.

232. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 232.

233. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 233.

234. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 234.

235. In response to the allegations in paragraph 235, Lay admits that Enron’s stock traded as high as \$78-7/8 on May 17, 2000. Lay is without knowledge or information sufficient to form a belief about plaintiffs’ allegation that increases in Enron’s stock price were due to positive statements about Enron’s business. Lay denies that Enron’s stock was artificially inflated and denies that he sold any Enron stock to take advantage of such alleged artificial inflation. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations concerning the number of shares, prices, and total proceeds of insider sales. Lay denies the remaining allegations in this paragraph.

236. In response to the allegations in paragraph 236, Lay denies that plaintiffs have accurately and completely described the proposed uses of the proceeds of the securities offerings or the underwriters involved in the offerings. Lay admits the allegations in the first sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

237. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 237.

238. In response to the allegations in paragraph 238, Lay denies that plaintiffs listed all the underwriters involved in the offering, but admits the remaining allegations in this paragraph.

239. In response to the allegations in paragraph 239, Lay admits that plaintiffs have selectively quoted portions of July 3, 2000 JP Morgan report or information cited in that report.

240. In response to the allegations in paragraph 240, Lay admits that plaintiffs have selectively excerpted portions of a July 19, 2000 Enron press release. Lay denies that plaintiffs have accurately or fully characterized the contents of the press release.

241. In response to the allegations in paragraph 241, Lay admits that he appeared on CNNfn on July 19, 2000, and admits that plaintiffs have selectively quoted a portion of the transcript of that show.

242. In response to the allegations in paragraph 242, Lay admits that plaintiffs have selectively quoted portions of a July 19, 2000 JP Morgan report or information cited in that report.

243. In response to the allegations in paragraph 243, Lay admits that plaintiffs have selectively quoted portions of a July 19, 2000 Deutsche Bank report or information cited in that report.

244. In response to the allegations in paragraph 244, Lay admits that plaintiffs have selectively quoted portions of a July 19, 2000 CitiGroup report or information cited in that report.

245. In response to the allegations in paragraph 245, Lay admits that plaintiffs have selectively quoted a portion of a July 20, 2000 Los Angeles Times article.

246. In response to the allegations in paragraph 246, Lay admits that plaintiffs have selectively quoted portions of an Enron earnings release on July 24, 2000. The allegation that Enron reported better than expected earnings is vague and ambiguous because plaintiffs have failed to provide a relevant benchmark; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation.

247. In response to the allegations in paragraph 247, Lay admits that Enron held a conference call on July 24, 2000. Because of plaintiffs' failure to identify the alleged speaker for each alleged statement, as well as plaintiffs' failure to identify whether the alleged statements were made during the conference call or the alleged follow-up conversations or break-out sessions, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

248. In response to the allegations in paragraph 248, Lay denies that JP Morgan issued a July 24, 2000 report as alleged by plaintiffs.

249. In response to the allegations in paragraph 249, Lay admits that plaintiffs have selectively quoted portions of a July 24, 2000 CitiGroup report or information cited in that report.

250. In response to the allegations in paragraph 250, Lay admits that plaintiffs have selectively quoted portions of July 24, 2000 and July 25, 2000 Merrill Lynch reports or information cited in those reports.

251. In response to the allegations in paragraph 251, Lay admits that plaintiffs have selectively quoted portions of a July 24, 2000 CIBC report or information cited in that report.

252. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 252.

253. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 253.

254. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 254.

255. In response to the allegations in paragraph 255, Lay admits that plaintiffs have selectively quoted portions of an August 17, 2000 Bank of America report or information cited from that report.

256. In response to the allegations in paragraph 256, Lay admits that plaintiffs have selectively quoted portions of a September 15, 2000 JP Morgan report or information cited from that report.

257. In response to the allegations in paragraph 257, Lay admits that plaintiffs have selectively quoted portions of a September 15, 2000 Deutsche Bank report or cited information from that report.

258. In response to the allegations in paragraph 258, Lay admits that plaintiffs have selectively quoted portions of a September 19, 2000 Bank of America report or cited information from that report.

259. In response to the allegations in paragraph 259, Lay admits that plaintiffs have selectively quoted portions of a September 21, 2000 CitiGroup report.

260. In response to the allegations in paragraph 260, Lay admits that plaintiffs have selectively quoted portions of a September 27, 2000 JP Morgan report or cited information from that report.

261. In response to the allegations in paragraph 261, Lay admits that Enron's stock price reached its all-time high of \$90-3/4 per share on August 23, 2000, and further admits that, as of August 23, 2000, Enron had already announced the Blockbuster deal and had reported second quarter earnings. The allegation that Enron reported better than expected earnings is vague and ambiguous because plaintiffs have failed to provide a relevant benchmark; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. The allegation about an alleged analyst conference in July 2000 is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the allegation that it occurred or the allegations about what was allegedly said at the conference. Lay denies the allegations that he was unloading shares of Enron stock and denies that he pocketed any illegal insider trading proceeds. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations concerning the number of shares, prices, and total proceeds of insider sales. Lay denies the remaining allegations in this paragraph.

262. In response to the allegations in paragraph 262, Lay admits that plaintiffs have selectively quoted a portion of Enron's October 17, 2000 earnings release. The allegation that Enron reported better than expected earnings is vague and ambiguous because plaintiffs have

failed to provide a relevant benchmark; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation.

263. In response to the allegations in paragraph 263, Lay admits the allegations in the first sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

264. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 264.

265. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 265.

266. In response to the allegations in paragraph 266, Lay denies that plaintiffs have accurately cited Merrill Lynch's forecast for 2001 EPS. Lay admits that plaintiffs otherwise have selectively quoted portions of an October 17, 2000 Merrill Lynch report or cited information from that report.

267. In response to the allegations in paragraph 267, Lay admits that plaintiffs have selectively quoted portions of an October 18, 2000 CitiGroup report or cited information from that report.

268. Lay denies the allegations in paragraph 268.

269. Lay denies the allegations in paragraph 269.

270. In response to the allegations in paragraph 270, Lay admits that plaintiffs have selectively quoted portions of an October 18, 2000 Lehman Brothers report or cited information from that report.

271. In response to the allegations in paragraph 271, Lay denies that Enron's stock traded as high as \$83-3/16 in mid-November 2000, and Lay further denies the remaining

allegations in the first sentence of this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that rumors were circulating that Enron was having difficulty making its fourth quarter numbers and the allegation that Enron's stock fell because of such rumors. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about alleged assurances by Skilling to the market. Lay denies the remaining allegations in this paragraph.

272. In response to the allegations in paragraph 272, Lay admits that Enron issued a November 24, 2000 press release with the quoted statement by Skilling.

273. In response to the allegations in paragraph 273, Lay admits that plaintiffs have selectively excerpted a portion of a December 6, 2000 Bloomberg News article.

274. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 274.

275. In response to the allegations in paragraph 275, Lay admits the allegations in the first sentence. In regard to the alleged quote by Lay, plaintiffs have failed to provide the source for the alleged quote or the date on which the statement allegedly was made; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

276. In response to the allegations in paragraph 276, Lay admits that plaintiffs have selectively quoted portions of a December 18, 2000 Enron press release.

277. In response to the allegations in paragraph 277, the allegations that New Power's stock had fallen dramatically and was trading for below \$10 per share is vague and ambiguous because plaintiffs have failed to allege with particularity the relevant time period; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these

allegations. Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged credit problems of the Raptors as the year-end 2000 approached. Lay denies the remaining allegations in this paragraph.

278. In response to the allegations in paragraph 278, the allegations relating to the restructuring of several unnamed SPEs is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay denies the remaining allegations in this paragraph.

279. In response to the allegations in paragraph 279, Lay admits that plaintiffs have selectively quoted a portion of a January 9, 2001 Dow Jones Energy Service article.

280. In response to the allegations in paragraph 280, the allegations that defendants made positive statements and reassurances and that Enron's stock price recovered due to such alleged statements and reassurances are vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay admits that Enron's stock traded for \$84-1/16 per share on January 2, 2001 and \$66-1/16 on January 17, 2001. Lay is without knowledge or information sufficient to form a belief as to the alleged rumors. Lay denies the remaining allegations in this paragraph.

281. In response to the allegations in paragraph 281, Lay admits that Enron reported record financial and operating results for the full year 2000. Lay further admits that plaintiffs have selectively excerpted portions of Enron's January 22, 2001 earnings release. The allegation that Enron reported better than expected earnings is vague and ambiguous because plaintiffs have failed to provide a relevant benchmark; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation.

282. In response to the allegations in paragraph 282, Lay admits that Enron held a conference call on January 21, 2001. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations.

283. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 283.

284. In response to the allegations in paragraph 284, Lay admits that plaintiffs have selectively quoted portions of a January 26, 2001 JP Morgan report or cited information in that report.

285. In response to the allegations in paragraph 285, Lay admits the allegations in the first two sentences, but denies that plaintiffs have accurately quoted from the January 26, 2001 CS First Boston report.

286. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 286.

287. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 287.

288. In response to the allegations in paragraph 288, Lay denies that Enron's stock reached the price of \$82-3/32 on February 5, 2001. Lay is without knowledge or information sufficient to form a belief as to the truth of plaintiffs' allegations about the precise reasons why Enron's stock price increased. Lay admits that Enron issued securities in early February 2001, but Lay denies that plaintiffs have described the precise amount of the offering. Lay further denies that plaintiffs have accurately or completely described the proposed uses of the securities proceeds or the underwriters who were involved in the offering. Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged conduct by the investment

banks. The allegation that Enron reported better than expected earnings is vague and ambiguous because plaintiffs have failed to provide a relevant benchmark; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay denies the remaining allegations in this paragraph.

289. Lay denies the allegations in paragraph 289.

290. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 290.

291. Lay admits the allegations in paragraph 291.

292. In response to the allegations in paragraph 292, Lay admits that it was his understanding Vinson & Elkins would participate in the drafting of Enron's 10-K's, and that Andersen certified Enron's financial statements. Lay further admits that he signed the 10-K through an attorney-in-fact, but denies that it was filed in March 2001. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations that the 10-K was actually signed by the other persons listed in this paragraph.

293. In response to the allegations in paragraph 293, Lay admits that Enron issued its Annual Report to Shareholders and that he understood it was the regular practice for the report to be reviewed and approved, in whole or in part, by Vinson & Elkins and Andersen. Lay further admits that the Annual Report contained a letter from Lay and Skilling and that plaintiffs have selectively excerpted portions of that letter. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that the Annual Report was reviewed and approved by all of the Enron defendants then with the company.

294. In response to the allegations in paragraph 294, Lay admits that plaintiffs have selectively excerpted portions of Enron's Annual Report.

295. In response to the allegations in paragraph 295, Lay admits that plaintiffs have selectively excerpted a small portion of Enron's audited and certified financial results.

296. In response to the allegations in paragraph 296, Lay denies that plaintiffs have accurately quoted from Enron's audited and certified financial results and statements in Enron's Annual Report.

297. In response to the allegations in paragraph 297, Lay admits that plaintiffs have selectively excerpted a small portion of Enron's Annual Report. Lay denies that the information was labeled "key credit information."

298. In response to the allegations in paragraph 298, Lay admits that plaintiffs have selectively excerpted a small portion of Enron's audited and certified financial results and statements in Enron's Annual Report.

299. In response to the allegations in paragraph 299, Lay admits that Enron's stock reached a price as high as \$82-3/32 on February 5, 2001. The allegation that Enron reported better than expected earnings is vague and ambiguous because plaintiffs have failed to provide a relevant benchmark; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations concerning the number of shares, prices, or total proceeds of insiders' sales. Lay denies the remaining allegations in this paragraph.

300. In response to the allegations in paragraph 300, Lay denies the allegations in the first two sentences of this paragraph. Lay further denies the allegations in the subsections (a), (b), (c), (d), (f), (h), (k), (l), (m), (p), (q), (r), and (s).

In response to the allegations in paragraph 300(e), Lay admits that RAC generally performed a net present value analysis for prospective international deals. Lay is without

knowledge or information sufficient to form a belief as to the truth of the allegations relating to alleged conduct of unnamed persons in Enron's Liquid Propane Gas Group at the end of the year 2000. Lay denies the remaining allegations in paragraph 300(e).

In response to the allegations in paragraph 300(g), Lay admits that EES's business model focused primarily on commercial/industrial businesses and that EES entered into demand-side management contracts. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the specific details of the Eli Lilly deal. Lay denies the remaining allegations in paragraph 300(g).

In response to the allegations in paragraph 300(i), Lay admits that Enron occasionally sold or exchanged dark-fiber with certain counterparties, but Lay denies plaintiffs' allegation that such transactions had no economic purpose or substance. Lay denies the remaining allegations in paragraph 300(i).

In response to the allegations in paragraph 300(j), Lay admits that Enron occasionally sold or exchanged dark-fiber with certain counterparties, but Lay denies plaintiffs' allegation that such transactions had no economic purpose or substance. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations relating to an alleged transaction with LJM; an alleged coup attempt; an alleged meeting between unnamed managers and Skilling; and an alleged statement by an alleged unnamed former EBS manager. Lay denies the remaining allegations in paragraph 300(j).

In response to the allegations in paragraph 300(n), Lay admits that Enron entered into a broadband deal with Rice University to provide broadband services to Brieman University. Lay denies the remaining allegations in paragraph 300(n).

In response to the allegations in paragraph 300(o), Lay denies the allegations in the first sentence and the very last sentence of this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to alleged statements by unnamed EBS employees, but Lay denies the substance of the alleged statements. Lay is also without knowledge or information sufficient to form a belief as to the truth of the allegation about an alleged statement by Rice. Lay admits that Blockbuster ultimately was unable to obtain the adequate electronic distribution rights for movies, but denies that Enron knew Blockbuster would be unable to perform and the implication that it was Enron's obligation to secure such rights for Blockbuster. Lay denies the remaining allegations in paragraph 300(o). Lay denies any remaining allegations in paragraph 300.

301. In response to the allegations in paragraph 301, Lay admits that plaintiffs have selectively excerpted a portion of a March 9, 2001 Bloomberg article regarding Enron's termination of the Blockbuster joint venture. Lay denies that the VOD project was terminated at the time the relationship with Blockbuster was terminated. Lay denies that plaintiffs accurately characterized the facts and circumstances surrounding the termination of the Blockbuster joint venture, and Lay therefore denies the remaining allegations in this paragraph.

302. In response to the allegations in paragraph 302, Lay admits that plaintiffs have selectively quoted portions of a March 12, 2001 JP Morgan report or cited information from that report.

303. In response to the allegations in paragraph 303, Lay admits that plaintiffs have selectively quoted portions of a March 12, 2001 Lehman Brothers report or cited information from that report.

304. In response to the allegations in paragraph 304, Lay admits that plaintiffs have selectively quoted portions of a March 12, 2001 CitiGroup report or cited information from that report.

305. In response to the allegations in paragraph 305, Lay admits the Enron's stock traded for \$51-33/64 on March 22, 2001. Lay denies that Enron was forced to reveal the termination of the Blockbuster venture, and further denies that the VOD project was terminated at the time the relationship with Blockbuster was terminated. The allegation that information about payment difficulties in India was becoming more widely circulated is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay is without knowledge or information sufficient to form a belief as to the truth of alleged concerns of persons other than himself. Lay denies the remaining allegations in this paragraph.

306. In response to the allegations in paragraph 306, Lay admits that plaintiffs have selectively quoted portions of a March 13, 2001 JP Morgan report.

307. In response to the allegations in paragraph 307, Lay denies that plaintiffs have accurately quoted from a March 22, 2001 Bloomberg article.

308. In response to the allegations in paragraph 308, Lay admits that plaintiffs have selectively quoted a portion of a March 22, 2001 CitiGroup report or cited information from that report.

309. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 309.

310. In response to the allegations in paragraph 310, Lay admits that plaintiffs have selectively quoted a portion of a March 22, 2001 JP Morgan report or cited information from that report.

311. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 311.

312. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 312.

313. In response to the allegations in paragraph 313, Lay admits that Enron's stock traded at \$51-33/64 on March 22, 2001. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations concerning the restructuring of the Raptors and other unnamed SPEs. Lay denies the remaining allegations in this paragraph.

314. In response to the allegations in paragraph 314, the allegations that "Enron and its bankers" were making assurances is vague and ambiguous because it fails to identify with particularity who was making such assurances, when they allegedly were made, or the alleged source for such assurances; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 314.

315. In response to the allegations in paragraph 315, Lay admits that plaintiffs have selectively excerpted a portion of an April 3, 2001 Enron press release.

316. In response to the allegations in paragraph 316, Lay admits that plaintiffs have selectively cited information from an April 17, 2001 earnings. The allegation that Enron reported better than expected earnings is vague and ambiguous because plaintiffs have failed to provide a relevant benchmark; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation.

317. In response to the allegations in paragraph 317, Lay admits the allegations in the first sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

318. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 318.

319. Lay denies the allegations in paragraph 319.

320. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 320.

321. In response to the allegations in paragraph 321, Lay admits that plaintiffs have selectively quoted a portion of an April 18, 2001 Merrill Lynch report or cited information from that report.

322. In response to the allegations in paragraph 322, Lay admits that plaintiffs have selectively quoted a portion of an April 18, 2001 Lehman Brothers report or cited information from that report.

323. Lay denies the allegations in paragraph 323.

324. In response to the allegations in paragraph 324, Lay admits that Enron's stock reached a price as high as \$64-3/4 in April 2001. The allegations about Enron's stock falling from \$57-13/16 to \$48-7/16 in two days is vague and ambiguous because it is unclear whether plaintiffs are referring to the opening or closing prices, and the precise days are unclear; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay admits that Enron's stock traded as low as \$52 on May 17, 2001. The allegation that Enron reported better than expected earnings is vague and ambiguous because plaintiffs have failed to provide a relevant benchmark; Lay is therefore without knowledge or

information sufficient to form a belief as to the truth of this allegation. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that Enron's stock fell below equity issuance target prices. Lay denies the remaining allegations in this paragraph.

325. In response to the allegations in paragraph 325, Lay admits that plaintiffs have selectively quoted a portion of a May 18, 2001 JP Morgan report or cited information from that report.

326. In response to the allegations in paragraph 326, Lay admits that plaintiffs have selectively quoted a portion of a May 18, 2001 CitiGroup report or cited information from that report.

327. In response to the allegations in paragraph 327, Lay admits that plaintiffs have selectively quoted a portion of a June 7, 2001 CitiGroup report or cited information from that report.

328. In response to the allegations in paragraph 328, Lay admits that plaintiffs have selectively excerpted portions of Enron's July 12, 2001 earnings release. The allegation that Enron reported better than expected earnings is vague and ambiguous because plaintiffs have failed to provide a relevant benchmark; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation.

329. In response to the allegations in paragraph 329, Lay admits the allegations in the first sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

330. In response to the allegations in paragraph 330, Lay admits that plaintiffs have quoted a July 12, 2001 Bloomberg News article.

331. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 331.

332. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 332.

333. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 333.

334. Lay denies the allegations in paragraph 334.

335. In response to the allegations in paragraph 335, Lay admits that plaintiffs have selectively quoted a portion of a July 13, 2001 CitiGroup report.

336. In response to the allegations in paragraph 336, Lay denies that the registration statement was filed on July 18, 2001, but admits the remaining allegations in the first two sentences of this paragraph. Lay admits that he signed the Registration Statement on or about May 31, 2001, but Lay is without knowledge or information sufficient to form a belief as to whether the other persons listed in this paragraph actually signed the Registration Statement on that date. Lay denies the remaining allegations in this paragraph.

337. In response to the allegations in paragraph 337, Lay denies that plaintiffs have accurately quoted a July 25, 2001 Bloomberg News article.

338. In response to the allegations in paragraph 338, Lay admits that plaintiffs have selectively quoted a portion of a July 26, 2001 Lehman Brothers report or information cited in that report.

339. In response to the allegations in paragraph 339, Lay denies the allegations in the first two sentences of the paragraph. Lay further denies the allegations in subsections (a), (b), (c), (d), (e), (f), (h), (k), (l), (m), (p), (q), (r), and (s).

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In response to the allegations in paragraph 339(g), Lay admits that EES's business model focused on commercial/industrial businesses and that EES entered into demand-side management contracts. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the specific details of the Eli Lilly deal. Lay denies the remaining allegations in paragraph 339(g).

In response to the allegations in paragraph 339(i), Lay admits that Enron occasionally sold or exchanged dark-fiber with certain counterparties, but Lay denies plaintiffs' allegation that such transactions had no economic purpose or substance. Lay denies the remaining allegations in paragraph 339(i).

In response to the allegations in paragraph 339(j), Lay admits that Enron occasionally sold or exchanged dark-fiber with certain counterparties, but Lay denies plaintiffs' allegation that such transactions had no economic purpose or substance. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to an alleged transaction with LJM; an alleged coup attempt; an alleged meeting between unnamed managers and Skilling; and an alleged statement by an alleged unnamed former EBS manager. Lay denies the remaining allegations in paragraph 339(j).

In response to the allegations in paragraph 339(n), Lay admits that Enron entered into a broadband deal with Rice University to provide broadband services to Brieman University. Lay denies the remaining allegations in paragraph 339(n)

In response to the allegations in paragraph 339(o), Lay denies the allegations in the first sentence and the very last sentence of this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to alleged statements by unnamed EBS employees, but Lay denies the substance of the alleged statements. Lay is also

without knowledge or information sufficient to form a belief as to the truth of the allegation about an alleged statement by Rice. Lay admits that Blockbuster ultimately was unable to obtain adequate electronic distribution rights for movies, but denies that Enron knew Blockbuster would be unable to perform and the implication that it was Enron's obligation to secure such rights for Blockbuster. Lay denies the remaining allegations in paragraph 339(o). Lay denies any remaining allegations in paragraph 339.

340. In response to the allegations in paragraph 340, Lay denies that plaintiffs have accurately characterized the letter sent by the employee referenced in this paragraph. Lay further denies that plaintiffs have accurately quoted portions of a letter written by an Enron management level employee. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation about when the management level employee actually wrote the letter.

341. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 341.

342. In response to the allegations in paragraph 342, Lay admits that Enron's stock price was lower in July 2001 than in May 2001. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph about the knowledge or intentions of alleged unnamed top insiders. Lay denies that plaintiffs have accurately characterized the movement of Enron's stock price, but admits that Enron's stock traded as low as \$42 on July 24, 2001 and as low as \$37-17/64 on August 29, 2001. Lay denies the remaining allegations in this paragraph.

343. In response to the allegations in paragraph 343, Lay admits the allegations in the first sentence. Lay admits that on or about August 14, 2001 he sent an e-mail to "Enron Employees Worldwide" and that plaintiffs have selectively quoted out of context a small portion

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of Lay's message. Lay admits that a conference call was held, but denies that any statements were made collectively by "Lay, Kean, Causey, Fastow, and Skilling." Lay denies the remaining allegations in this paragraph.

344. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 344.

345. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 345.

346. In response to the allegations in paragraph 346, Lay admits that plaintiffs have selectively quoted a portion of an August 14, 2001 Bank of America report or cited information from that report.

347. In response to the allegations in paragraph 347, Lay admits that plaintiffs have selectively quoted a portion of an August 15, 2001 Lehman Brothers report or cited information from that report.

348. In response to the allegations in paragraph 348, Lay admits that plaintiffs have selectively quoted a portion of an August 15, 2001 JP Morgan report or cited information from that report.

349. In response to the allegations in paragraph 349, Lay admits that plaintiffs have selectively quoted a portion of an August 15, 2001 CIBC report or cited information from that report.

350. In response to the allegations in paragraph 350, Lay admits that Enron's stock fell from \$43-13/64 on August 14, 2001 to \$36-7/8 on August 15, 2001. Lay denies the remaining allegations in this paragraph.

351. In response to the allegations in paragraph 351, Lay admits that he and Fastow met primarily with analysts on August 16, 2001, but Lay denies the remaining allegations in this paragraph.

352. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 352.

353. In response to the allegations in paragraph 353, Lay admits that plaintiffs have selectively quoted a portion of an August 17, 2001 Lehman Brothers report or cited information in that report.

354. In response to the allegations in paragraph 354, Lay admits that plaintiffs have selectively quoted a portion of an August 17, 2001 CS First Boston report.

355. In response to the allegations in paragraph 355, Lay denies that the analyst report identifies the analyst as "William J. Maze," but admits the remaining allegations in this paragraph.

356. In response to the allegations in paragraph 356, Lay admits that plaintiffs have selectively quoted a portion of an August 28, 2001 transcript of a Bloomberg News interview.

357. In response to the allegations in paragraph 357, Lay admits that plaintiffs have selectively quoted a portion of an August 28, 2001 Bank of America report or cited information in that report.

358. In response to the allegations in paragraph 358, Lay admits that an EES employee sent a letter dated August 29, 2001 that was addressed to the Board of Directors, but Lay denies that plaintiffs have accurately characterized that letter in the first sentence of this paragraph. Lay admits that plaintiffs have selectively quoted portions of the letter. Lay denies any remaining allegations in this paragraph.

359. In response to the allegations in paragraph 359, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph to the extent allegations relate to Skilling's state of mind at the time of his departure as opposed to what he communicated to Lay. Lay denies the remaining allegations in this paragraph.

360. In response to the allegations in paragraph 360, Lay admits that Enron's stock price declined during the second half of August 2001. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations that unspecified stock issuance triggers were being triggered and that Andersen was destroying documents. Lay denies the remaining allegations in this paragraph.

361. In response to the allegations in paragraph 361, Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged statement by an unnamed former Enron executive or the financial details of the Qwest deal. Lay denies the remaining allegations in this paragraph.

362. In response to the allegations in paragraph 362, Lay admits the allegations in the first two sentences, but denies that plaintiffs have accurately quoted the analyst report.

363. In response to the allegations in paragraph 363, Lay admits that plaintiffs have selectively quoted a portion of an October 9, 2001 JP Morgan report or information cited in that report.

364. In response to the allegations in paragraph 364, Lay admits that Enron reported its third quarter results on October 16, 2001. Lay admits that plaintiffs have selectively excerpted a portion of Enron's October 16, 2001 earnings release, and Lay further admits that Enron announced a net income write-off of approximately \$1 billion and earnings including non-recurring charges of \$618 million or \$.84 per share, but Lay denies that plaintiffs have accurately

characterized or described the release in the remaining allegations in this paragraph. Lay denies any remaining allegations in this paragraph.

365. In response to the allegations in paragraph 365, Lay denies the plaintiffs have accurately characterized the facts and circumstances regarding the write-off and the reduction in shareholder's equity; Lay therefore denies the allegations in this paragraph.

366. In response to the allegations in paragraph 366, Lay admits the allegations in the first sentence. Lay denies that the alleged statements in this paragraph were made collectively by Lay, Frevert, Whalley, Koenig, Causey, Fastow, and Kean. Because of plaintiffs' failure to identify the alleged speaker for each alleged statement, as well as plaintiffs' failure to identify whether the alleged statements were made during the October 16, 2001 conference call or the alleged follow-up conversations with analysts, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

367. In response to the allegations in paragraph 367, Lay admits that plaintiffs have selectively excerpted a portion of an October 16, 2001 Bloomberg News article. Lay denies that plaintiffs have accurately characterized the article or the interview, and Lay therefore denies the allegations in the first sentence of this paragraph.

368. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 368.

369. Lay is without knowledge or information sufficient to form a belief as to the allegations in paragraph 369.

370. In response to the allegations in paragraph 370, Lay admits that plaintiffs have selectively quoted a portion of an October 16, 2001 CitiGroup report or cited information in that report.

371. In response to the allegations in paragraph 371, Lay admits that plaintiffs have selectively quoted a portion of an October 16, 2001 Bank of America report or cited information in that report.

372. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 372.

373. In response to the allegations in paragraph 373, Lay admits that plaintiffs have selectively quoted a portion of an October 17, 2001 JP Morgan report or cited information in that report.

374. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 374.

375. In response to the allegations in paragraph 375, Lay admits that plaintiffs have selectively quoted a portion of an October 19, 2001 CitiGroup report or cited information in that report.

376. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 376.

377. In response to the allegations in paragraph 377, Lay admits the allegations in the first sentence of this paragraph. Lay denies that the alleged statements were made collectively by Lay, Causey, and Fastow. Because of plaintiffs' failure to identify the alleged speaker for each alleged statement, as well as plaintiffs' failure to identify whether the alleged statements were made during the October 23, 2001 conference call or the alleged follow-up conversations with analysts, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

378. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 378.

379. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 379.

380. In response to the allegations in paragraph 380, Lay admits that plaintiffs have selectively quoted a portion of an October 23, 2001 JP Morgan report or cited information in that report.

381. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 381.

382. In response to the allegations in paragraph 382, Lay admits that plaintiffs have selectively excerpted a portion of an October 25, 2001 Enron press release.

383. In response to the allegations in paragraph 383, Lay admits that plaintiffs have selectively excerpted a portion of a November 1, 2001 Enron press release.

384. Lay denies the allegations in paragraph 384.

385. Lay denies the allegations in paragraph 385.

386. Lay denies the allegations in paragraph 386.

387. In response to the allegations in paragraph 387, Lay is without knowledge or information sufficient to form a belief as to the truth of allegations relating to JP Morgan or CitiGroup's state of mind. Lay denies the remaining allegations in this paragraph.

388. In response to the allegations in paragraph 388, Lay admits that Enron held an analyst conference call on November 14, 2001. Lay denies that the alleged statements were made collectively by Lay, Whalley, McMahon, and Causey. Because of plaintiffs' failure to

identify the alleged speaker for each alleged statement, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

389. In response to the allegations in paragraph 389, Lay admits that Harrison apparently did call Moody's, but denies that plaintiffs have accurately or completely characterized the purpose of that call. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about specific alleged efforts by Rubin. Lay denies the remaining allegations in this paragraph.

390. Lay denies the allegations in paragraph 390.

391. In response to the allegations in paragraph 391, Lay admits that Dynegy ultimately declined to go through with the merger, that Enron's debt was downgraded to below investment grade, and that Enron filed for bankruptcy. Lay admits that Enron's common and preferred stock and its publicly traded debt securities have declined significantly in price and that certain purchases of Enron securities (such as Lay) have lost a substantial amount of their initial investment. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations regarding Rubin and Harrison. Lay denies the remaining allegations in this paragraph.

392. In response to the allegations in paragraph 392, Lay admits that he invoked his Fifth Amendment right not to testify before Congress, but Lay denies that he did so to avoid incriminating himself. Lay admits that other Enron executives and certain Andersen partners were asked to testify by Congress and that some of those persons invoked their Fifth Amendment right not to testify, but Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about such persons' reasons for doing so. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that Temple was a senior

Andersen lawyer who directed the destruction of documents. Lay denies the remaining allegations in this paragraph.

393. Lay denies the allegations in paragraph 393.

394. Lay denies the allegations in paragraph 394.

395. Lay denies the allegations in paragraph 395.

396. Lay denies the allegations in paragraph 396.

397. In response to the allegations in paragraph 397, Lay admits that Enron's Management Committee consisted of Enron's top executives. Lay denies the remaining allegations in this paragraph.

398. In response to the allegations in paragraph 398, Lay admits that Enron obtained Board approval for its security offerings. The allegation that outside directors were in frequent contact is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay is without knowledge or information sufficient to form a belief as to the remaining allegations in this paragraph.

399. In response to the allegations in paragraph 399, Lay denies the allegations in their entirety to the extent they are directed at Lay. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations to the extent they relate to other defendants.

400. In response to the allegations in paragraph 400, Lay denies the allegations in their entirety to the extent they are directed at Lay. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations to the extent they relate to other defendants.

401. In response to the allegations in paragraph 401, Lay denies that sales of Enron stock reflect any scienter for fraud. Lay further denies that plaintiffs have accurately set forth the number of shares sold by Lay or the proceeds of such alleged sales. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about the alleged stock sales by other defendants. Lay denies any remaining allegations in this paragraph.

402. In response to the allegations in paragraph 402, Lay denies plaintiffs' characterization that he sold a large percentage of his holdings. Lay denies the portion of plaintiffs' chart relating to Lay's sales. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about the alleged stock sales by other defendants.

403. In response to the allegations in paragraph 403, Lay is also without knowledge or information sufficient to form a belief as to the truth of the alleged chart. Lay denies the remaining allegations in this paragraph.

404. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 404.

405. In response to the allegations in paragraph 405, Lay admits that he had a 10b5-1 plan. The allegation that unspecified sales were made pursuant to a 10b5-1 plan is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay denies the remaining allegations in this paragraph.

406. In response to the allegations in paragraph 406, Lay admits that plaintiffs purport to incorporate the contents of Dr. Hakala's declaration into their complaint and that Dr. Hakala's declaration includes a purported curriculum vitae, but Lay denies that Dr. Hakala's declaration constitutes a "written instrument" that may be attached to or incorporated into a complaint. Lay denies that Dr. Hakala is qualified to render an expert opinion in this case, and further denies that

Dr. Hakala's opinions are reliable, accurate, or admissible in this case. Lay is without knowledge or information sufficient to form a belief as to the truth of plaintiffs' alleged reason for hiring Dr. Hakala. Lay denies the remaining allegations in this paragraph.

407. In response to the allegations in paragraph 407, Lay denies that Dr. Hakala's declaration constitutes a "written instrument" that may be attached to or incorporated into a complaint. Lay denies that Dr. Hakala is qualified to render an expert opinion in this case, and further denies that Dr. Hakala's opinions are reliable, accurate, or admissible in this case. Lay therefore denies the allegations in this paragraph.

408. Lay denies the allegations in paragraph 408.

409. Lay denies the allegations in paragraph 409.

410. In response to the allegations in paragraph 410, Lay is without knowledge or information sufficient to form a belief as to the truth of Belfer's alleged use of costless collars. Lay denies the remaining allegations in this paragraph.

411. Lay denies the allegations in paragraph 411.

412. Lay denies the allegations in paragraph 412.

413. In response to the allegations in paragraph 413, Lay denies that Dr. Hakala's declaration constitutes a "written instrument" that may be attached to or incorporated into a complaint. Lay denies that Dr. Hakala is qualified to render an expert opinion in this case, and further denies that Dr. Hakala's opinions are reliable, accurate, or admissible in this case. Lay therefore denies the allegations in this paragraph.

414. In response to the allegations in paragraph 414, Lay denies that Dr. Hakala's declaration constitutes a "written instrument" that may be attached to or incorporated into a complaint. Lay denies that Dr. Hakala is qualified to render an expert opinion in this case, and

further denies that Dr. Hakala's opinions are reliable, accurate, or admissible in this case. Lay therefore denies the allegations in this paragraph.

415. In response to the allegations in paragraph 415, Lay denies that Dr. Hakala's declaration constitutes a "written instrument" that may be attached to or incorporated into a complaint. Lay denies that Dr. Hakala is qualified to render an expert opinion in this case, and further denies that Dr. Hakala's opinions are reliable, accurate, or admissible in this case. Lay therefore denies the allegations in this paragraph.

416. In response to the allegations in paragraph 416, Lay denies that Exhibit C referenced in this paragraph accurately or completely reflects Lay's sales of Enron stock. Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged sales by other defendants.

417. In response to the allegations in paragraph 417, Lay admits that plaintiffs have made allegations relating to the scienter of other defendants in other sections of their complaint. Lay is without knowledge or information sufficient to form a belief as to the truth of allegations relating to scienter of other defendants. Lay denies the remaining allegations in this paragraph.

418. Lay denies the allegations in paragraph 418.

419. In response to the allegations in paragraph 419, Lay admits that Enron restated its financial results. Plaintiffs' charts are vague and ambiguous because they fail to reflect precise dollar amounts; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the accuracy of the charts. Lay denies the remaining allegations in this paragraph.

420. In response to the allegations in paragraph 420, plaintiffs' charts are vague and ambiguous because they fail to reflect precise dollar amounts; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the accuracy of the charts.

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Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that Fastow described the debt-to-equity ratio as “strategically critical.” Lay denies the remaining allegations in this paragraph.

421. In response to the allegations in paragraph 421, plaintiffs purport to set forth Enron’s original and restated debt to equity ratio and ratio of earnings to fixed charges for 1997 through 2000, but plaintiffs have not identified the underlying data upon which they base their calculations; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these calculations. Lay denies the remaining allegations in this paragraph.

422. In response to the allegations in paragraph 422, Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged quote from Accounting Malpractice.com. Lay denies the remaining allegations in this paragraph.

423. In response to the allegations in paragraph 423, Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged chart and the allegations in the last two sentences. Lay denies the remaining allegations in this paragraph.

424. In response to the allegations in paragraph 424, Lay denies that plaintiffs’ chart accurately sets forth Enron’s reported financial results for 1997 through 2001. Lay denies the remaining allegations in this paragraph.

425. In response to the allegations in paragraph 425, the references to “press releases and SEC filings”, “many Registration Statements and Prospectuses” and “SEC filings” are all vague and ambiguous as to the documents to which plaintiffs are referring; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

426. Lay denies the allegations in paragraph 426.

427. In response to the allegations in paragraph 427, plaintiffs' interpretation of Regulation S-X is a legal conclusion to which Lay need not respond. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

428. In response to the allegations in paragraph 428, plaintiffs' purported quotation of the 1934 Act is a legal conclusion to which Lay need not respond.

429. Lay denies the allegations in paragraph 429.

430. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 430.

431. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 431.

432. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 432.

433. In response to the allegations in paragraph 433, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations concerning GAAP standards. Lay denies the remaining allegations in this paragraph.

434. In response to the allegations in paragraph 434, Lay denies the allegations in the first sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 434.

435. In response to the allegations in paragraph 435, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the formation and composition of Chewco. Lay denies the remaining allegations in paragraph 435.

436. In response to the allegations in paragraph 436, Lay admits that Enron had a joint venture investment partnership called JEDI, and further admits that Calpers apparently sold its interest in JEDI. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the formation and composition of Chewco. Lay denies the remaining allegations in this paragraph.

437. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 437.

438. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 438.

439. In response to the allegations in paragraph 439, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

440. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 440.

441. In response to the allegations in paragraph 441, Lay denies the allegations in the first sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

442. In response to the allegations in paragraph 442, Lay admits that Enron restated its financial results in 2001 to consolidate JEDI. Lay denies the remaining allegations in paragraph 442.

443. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 443.

444. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 444.

445. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 445.

446. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 446.

447. In response to the allegations in paragraph 447, Lay admits that Enron's restatement resulted in the recording of losses and debts in the amounts alleged in this paragraph. Lay denies the remaining allegations in this paragraph.

448. In response to the allegations in paragraph 448, Lay admits that Enron entered into certain transactions with LJM1 and LJM2. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in the last sentence of this paragraph, the allegations about the alleged general types of transactions or the exact number of transactions, and Fastow's exact position with the LJM entities. Lay denies the remaining allegations in this paragraph.

449. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 449.

450. In response to the allegations in paragraph 450, Lay admits that Enron restated its financial results to reduce earnings by \$95 million in 1999 and \$8 million in 2000 and to reduce assets by \$222 million in 1999. Lay denies the remaining allegations in this paragraph.

451. In response to the allegations in paragraph 451, Lay denies that plaintiffs have accurately characterized the facts and circumstances surrounding the Board's approval of LJM1 or the Board's understanding of Fastow's role. Lay denies the remaining allegations in paragraph 451.

452. Lay admits the allegations in paragraph 452.

453. In response to the allegations in paragraph 453, Lay denies that LJM1 was designed to lock in gains on investments other than Rhythms NetConnections. Lay admits that Enron's investment in Rhythms NetConnections had appreciated. Lay further admits the allegations in the second sentence, except that Lay denies Enron owned exactly 5.4 million shares, and is without knowledge or information sufficient to form a belief as to the truth of the allegation about Enron's original cost basis. Lay admits the allegations in the third and fourth sentences. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

454. In response to the allegations in paragraph 454, Lay denies the allegations in the third sentence of this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 454.

455. In response to the allegations in paragraph 455, Lay denies the allegations in the first sentence of this paragraph and denies that LJM1 was formed for the purpose alleged by plaintiffs. Lay is without knowledge or information sufficient to form a belief as to the remaining allegations in this paragraph.

456. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 456.

457. In response to the allegations in paragraph 457, Lay denies Enron was engaged in sham hedging or improper non-consolidation. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 457.

458. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 458.

459. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 459.

460. In response to the allegations in paragraph 460, Lay denies that plaintiffs have accurately characterized the Board's limited approval of LJM2. Lay is without knowledge or information sufficient to form a belief as to the remaining allegations in this paragraph.

461. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 461.

462. In response to the allegations in paragraph 462, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations concerning alleged accounting principles. Lay denies the remaining allegations in paragraph 462.

463. In response to the allegations in paragraph 463, Lay is without knowledge or information sufficient to form a belief as to the allegations in this paragraph.

464. In response to the allegations in paragraph 464, Lay admits that Enron reported a reduction to shareholders' equity of \$1.2 billion in the third quarter of 2001. Lay denies the remaining allegations in this paragraph, except Lay admits that Enron reported a net income write-off of \$544 million as a component of the total net income write-off for the quarter.

465. In response to the allegations in paragraph 465, Lay admits that plaintiffs purport to allege more details about the Raptors in paragraphs 477-495. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in the first two sentences. Lay denies the remaining allegations in paragraph 465.

466. Lay denies the allegations in paragraph 466.

467. In response to the allegations in paragraph 467, Lay denies that Enron improperly recognized income, and denies that a fractional interest in the Cuiba power plant would have

been valued at \$11.3 billion. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 467.

468. In response to the allegations in paragraph 468, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in the first sentence. Lay denies the remaining allegations in paragraph 468.

469. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 469.

470. In response to the allegations in paragraph 470, Lay denies the allegations in the first sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 470.

471. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 471.

472. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 472.

473. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 473.

474. In response to the allegations in paragraph 474, Lay denies that Enron was engaged in sham transactions. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 474.

475. In response to the allegations in paragraph 475, Lay admits that Enron had embarked on an effort to build a national fiber optic network. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

476. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 476.

477. In response to the allegations in paragraph 477, Lay admits that Talon was established as a non-affiliated vehicle to act as a hedge party to selected investments, and Lay refers plaintiffs to the relevant board minutes for the details surrounding the establishment of Talon. Lay denies the allegations in this paragraph to the extent they are inconsistent with the board minutes.

478. In response to the allegations in paragraph 478, Lay denies that the Board approved the Talon structure as it is described by plaintiffs. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 478.

479. In response to the allegations in paragraph 479, Lay admits that the Board of Directors and the Finance Committee approved of the Talon transaction as that transaction was presented as reflected in the minutes, but Lay denies that the Board or the Finance Committee approved of the transaction as it is described by plaintiffs in this paragraph. Lay further denies that the transaction was a sham and that the price of the put was grossly inflated. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

480. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 480.

481. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 481.

482. In response to the allegations in paragraph 482, Lay admits that Enron established Raptors II and IV and that these Raptors were intended to engage in valid derivative transactions with Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in the second sentence. Lay denies the remaining allegations in paragraph 482.

483. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 483.

484. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 484.

485. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 485.

486. In response to the allegations in paragraph 486, Lay admits that the IPO of New Power was completed, and further admits that the price of New Power's stock later declined below the initial offering price. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

487. In response to the allegations in paragraph 487, Lay admits that New Power was a power delivery company formed by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

488. In response to the allegations in paragraph 488, Lay denies the allegations in the final sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 488.

489. In response to the allegations in paragraph 489, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in the second and third sentences. Lay denies the remaining allegations in paragraph 489.

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490. In response to the allegations in paragraph 490, Lay denies that he restructured the Raptors or had knowledge of the alleged restructuring. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

491. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 491.

492. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 492.

493. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 493.

494. In response to the allegations in paragraph 494, Lay admits that Enron announced a reduction in shareholders' equity for the third quarter of 2001; that the restatement corrects an error relating to notes receivable; and that plaintiffs have selectively quoted a portion of the restatement. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations concerning accounting requirements. Lay denies the remaining allegations in this paragraph.

495. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 495.

496. In response to the allegations in paragraph 496, Lay denies the allegations in the first sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

497. In response to the allegations in paragraph 497, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the structure of Osprey and Marlin. Lay denies the remaining allegations in paragraph 497.

498. In response to the allegations in paragraph 498, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the structure of Osprey and Marlin. Lay denies the remaining allegations in paragraph 498.

499. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 499.

500. In response to the allegations, Lay is without knowledge or information sufficient to form a belief as to the truth of alleged statements by unnamed former employees. Lay admits that Skilling set up a report detailing positions in assets held by the company, but denies that he received such a report. Lay denies the remaining allegations in this paragraph.

501. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 501.

502. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 502.

503. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 503.

504. In response to the allegations in paragraph 504, Lay denies that Enron had great latitude to manipulate the value of assets. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 504.

505. Lay denies the allegations in paragraph 505.

506. Lay denies the allegations in paragraph 506.

507. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 507.

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508. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 508.

509. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 509.

510. Lay denies the allegations in paragraph 510.

511. In response to the allegations in paragraph 511, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in the last sentence of this paragraph. Lay denies the remaining allegations in this paragraph.

512. In response to the allegations in paragraph 512, Lay admits the allegations in the first sentence of this paragraph. Lay denies that there was a May 2000 proxy statement and denies the remaining allegations in this paragraph.

513. In response to the allegations in paragraph 513, Lay admits that plaintiffs have selectively excerpted a portion of Enron's Form 10-Q for the second quarter of 1999. Lay denies that plaintiffs have accurately characterized the Form 10-Q for the second quarter of 1999, the Form 10-Q for the third quarter of 1999, or the 1999 10-K. Lay denies the remaining allegations in this paragraph.

514. In response to the allegations in paragraph 514, Lay admits that plaintiffs have selectively excerpted a portion of Enron's 10-Q for the second quarter of 2000. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations.

515. In response to the allegations in paragraph 515, Lay admits that plaintiffs have selectively excerpted a portion of Enron's Form 10-Q's for the 2nd and 3rd quarter of 1999. Lay denies the remaining allegations in this paragraph.

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516. In response to the allegations in paragraph 516, Lay denies the allegations in this paragraph.

517. In response to the allegations in paragraph 517, Lay admits that Enron's restatement announced prior proposed audit adjustments and reclassifications for 1997 of \$51 million. Lay admits that the proposed audit adjustments and reclassifications represented 10% of recurring net income, but Lay denies that the adjustments and reclassifications represented 48% of net income. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about SEC Staff Accounting Bulletins. Lay denies the remaining allegations in paragraph 517.

518. In response to the allegations in paragraph 518, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in the second, third, and fourth sentences. Lay denies the remaining allegations in this paragraph.

519. In response to the allegations in paragraph 519, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that Accounting Malpractice.com made the alleged quote on February 22, 2002. Lay denies the remaining allegations in this paragraph.

520. In response to the allegations in paragraph 520, Lay admits that Enron entered the broadband business, but the allegation that Enron laid "thousands of miles" of fiber optic cable is vague and ambiguous and Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay denies the remaining allegations in this paragraph.

521. In response to the allegations in paragraph 521, Lay admits that Enron announced the Blockbuster deal in July 2000. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation about an alleged statement by an unnamed former

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employee, but Lay denies the content of the statement. Lay denies the remaining allegations in this paragraph.

522. In response to the allegations in paragraph 522, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations concerning the formation and structure of Braveheart. Lay admits that Blockbuster ultimately did not obtain adequate legal rights to distribute movies electronically. Lay denies the remaining allegations in paragraph 522.

523. In response to the allegations in paragraph 523, Lay denies the allegations in the first sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 523.

524. In response to the allegations in paragraph 524, Lay denies the allegation that “it was a far cry from VOD for anything in Blockbuster’s inventory as had been promised.” Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 524.

525. In response to the allegations in paragraph 525, Lay denies the allegation that there was no way EBS could provide the service it promised. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

526. Lay denies the allegations in paragraph 526.

527. In response to the allegations in paragraph 527, Lay denies the allegations in the first and last sentences of this paragraph. Lay admits that plaintiffs have provided a generic definition of dark fiber. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

528. In response to the allegations in paragraph 528, the allegation that Enron found sufficient willing counterparties is vague and ambiguous because it fails to specify the relevant time period or the counterparties; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay denies the remaining allegations in this paragraph.

529. In response to the allegations in paragraph 529, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about the precise entities with whom Enron executed swaps and trades, except that Lay admits that Enron had a transaction with Qwest. Lay denies the remaining allegations in paragraph 529.

530. In response to the allegations in paragraph 530, Lay admits that plaintiffs have selectively excerpted a portion of a March 29, 2002 New York Times article, but denies any remaining allegations in this paragraph.

531. In response to the allegations in paragraph 531, Lay denies the allegations in the last sentence of this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 531.

532. In response to the allegations in paragraph 532, Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged statement of an unnamed former employee. Lay denies the remaining allegations in paragraph 532.

533. Lay denies the allegations in paragraph 533.

534. In response to the allegations in paragraph 534, Lay admits that Enron used mark-to-market accounting in certain situations. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations concerning GAAP standards. Lay denies the remaining allegations in paragraph 534.

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535. In response to the allegations in paragraph 535, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in the last sentence of this paragraph. Lay admits DSM contract is a term sometimes used to describe contracts that bundle various energy-related products and services to customers. Lay denies the remaining allegations in this paragraph.

536. In response to the allegations in paragraph 536, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in the last two sentences of this paragraph. Lay denies the remaining allegations in this paragraph.

537. In response to the allegations in paragraph 537, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to an unnamed former employee, an unnamed alleged boss, and an unspecified natural gas deal. Lay denies the remaining allegations in this paragraph.

538. In response to the allegations in paragraph 538, Lay admits that Enron had a practice of monetizing certain of its contracts. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that the terms Contractual Asset Securitization Holding trust or CASH were used to describe such activities. Lay denies the remaining allegations in this paragraph.

539. Lay denies the allegations in paragraph 539.

540. In response to the allegations in paragraph 540, the allegation that Lay was a member of the Board of Directors of Eli Lilly is vague and ambiguous because it fails to specify the alleged time period; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay denies the remaining allegations in this paragraph.

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541. In response to the allegations in paragraph 541, Lay admits that Enron announced an agreement with Eli Lilly on February 26, 2001. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in the last sentence of this paragraph. Lay denies the remaining allegations in this paragraph.

542. Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged quote from the Washington Post article. Lay denies the remaining allegations in this paragraph.

543. Lay denies the allegations in paragraph 543.

544. Lay denies the allegations in paragraph 544.

545. Lay denies the allegations in paragraph 545.

546. Lay denies the allegations in paragraph 546.

547. In response to the allegations in paragraph 547, Lay denies the allegations in the first sentence of this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the accounting treatment of the deal with Rice University. Lay admits that Enron entered into a broadband deal with Rice University to provide broadband services to Brieman University. Lay denies the remaining allegations in this paragraph.

548. In response to the allegations in paragraph 548, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation about what Skilling allegedly wanted. Lay denies the remaining allegations in paragraph 548.

549. Lay denies the allegations in paragraph 549.

550. In response to the allegations in paragraph 550, Lay admits Wholesale Services invested in debt and equity securities of energy and technology-related businesses. Lay admits

that plaintiffs have selectively quoted a portion of a March 2001 Fortune article, but denies that plaintiffs have accurately characterized or described what the quoted portion says. Lay denies any remaining allegations in this paragraph.

551. In response to the allegations in paragraph 551, Lay admits the allegations in the first sentence. Lay denies the remaining allegations in this paragraph.

552. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 552.

553. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 553.

554. In response to the allegations in paragraph 554, Lay denies the allegations in the first two sentences. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 554.

555. Lay denies the allegations in paragraph 555.

556. Lay denies the allegations in paragraph 556.

557. In response to the allegations in paragraph 557, Lay admits that EES signed a deal with Quaker. Lay denies that plaintiffs have accurately characterized the nature of the Quaker agreement or the revenue and profit potential of that agreement. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the specific terms of the Quaker deal. Lay denies the remaining allegations.

558. Lay denies the allegations in paragraph 558.

559. In response to the allegations in paragraph 559, Lay denies that Enron entered into loans disguised as hedging transactions. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 559.

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560. Lay denies the allegations in paragraph 560.

561. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 561.

562. In response to the allegations in paragraph 562, Lay denies that plaintiffs have described the only situations in which a prepaid forward sales contract is valid. Lay denies the remaining allegations in this paragraph.

563. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 563.

564. In response to the allegations in paragraph 564, Lay admits that plaintiffs have selectively quoted a portion of a February 19, 2002 article in The New York Times. Lay denies the remaining allegations in this paragraph.

565. In response to the allegations in paragraph 565, Lay denies the allegations in the first sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

566. In response to the allegations in paragraph 566, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in the first two sentences of this paragraph. Lay denies the remaining allegations in this paragraph.

567. In response to the allegations in paragraph 567, Lay denies the allegations in the first sentence of this paragraph. Lay admits that plaintiffs have selectively quoted portions of a February 17, 2002 New York Times article. Lay denies the remaining allegations in this paragraph.

568. Lay denies the allegations in paragraph 568.

569. Lay denies the allegations in paragraph 569.

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570. In response to the allegations in paragraph 570, Lay admits that plaintiffs have selectively quoted a portion of a February 22, 2002 New York Times article. Lay denies any remaining allegations in this paragraph.

571. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 571.

572. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 572.

573. Lay denies the allegations in paragraph 573.

574. Lay denies the allegations in paragraph 574.

575. In response to the allegations in paragraph 575, the allegations that Enron relied on a variety of contracts with an assortment of parties are vague and ambiguous due to the failure to identify the contracts or the parties; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the allegations in the second sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in the last sentence of this paragraph. Lay admits that Enron, like many other companies, used non-recourse financing. Lay denies any remaining allegations in this paragraph.

576. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 576.

577. In response to the allegations in paragraph 577, Lay is without knowledge or information sufficient to form a belief as to the truth of allegations of unnamed former employees or the precise accounting treatment of the projects listed in this paragraph. Lay denies the remaining allegations in paragraph 577.

578. In response to the allegations in paragraph 578, Lay admits that Enron, like many other companies, used the percentage of completion accounting method in certain situations. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 577.

579. Lay denies the allegations in paragraph 579.

580. Lay denies the allegations in paragraph 580.

581. In response to the allegations in paragraph 581, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to an alleged statement by an unnamed international accounting officer; alleged directives from Causey and/or Skilling; and the alleged knowledge or concerns of unnamed internal accountants. Lay denies remaining allegations in this paragraph.

582. Lay denies the allegations in paragraph 582.

583. Lay denies the allegations in paragraph 583.

584. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 584.

585. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 585.

586. Lay denies the allegations in paragraph 586.

587. Lay denies the allegations in paragraph 587.

588. In response to the allegations in paragraph 588, Lay admits that plaintiffs have selectively quoted a portion of an October 16, 2001 Enron press release. Lay denies the remaining allegations in this paragraph.

589. Lay denies the allegations in paragraph 589.

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590. In response to the allegations in paragraph 590, Lay admits the allegations in the first four sentences of this paragraph, and further admits that 33% of the shares of Azurix were sold in a 1999 IPO underwritten by Deutsche Bank and Bank of America. Lay admits that the Azurix's stock price initially increased after the IPO, but later declined. Lay denies the remaining allegations in this paragraph.

591. In response to the allegations in paragraph 591, Lay admits that Enron announced plans to take Azurix private in late 2000, and that Enron did take Azurix private for \$327.5 million in March 2001. Lay admits that Enron recorded an after-tax charge of \$326 million relating to Azurix in its 2000 10-K. Lay further admits that Mark-Jusbasche left the company. Lay is without knowledge or information sufficient to form a belief about the alleged fine in November 2000. Lay denies the remaining allegations in paragraph 591.

592. Lay denies the allegations in paragraph 592.

593. In response to the allegations in paragraph 593, Lay denies the allegations in the first and last sentences. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 593.

594. Lay denies the allegations in paragraph 594.

595. In response to the allegations in paragraph 595, Lay admits that Enron recorded a charge related to its broadband division in the fall of 2001. Lay denies the remaining allegations in this paragraph.

596. In response to the allegations in paragraph 596, Lay admits that Enron had an ownership interest in TGS and that TGS owned a gas pipeline in Argentina. Lay denies that TGS was a partnership with Shell, but Lay is without knowledge or information sufficient to

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form a belief as to the truth of the remaining allegations in the first two sentences. Lay denies the remaining allegations in this paragraph.

597. Lay denies the allegations in paragraph 597.

598. In response to the allegations in paragraph 598, Lay admits the allegations in the first sentence, except that Lay denies that plaintiffs have accurately described the megawatts for the plant. Lay admits that, at certain times, the plant encountered construction delays and political problems. Lay admits that the project was temporarily halted in approximately 1995 due to political problems. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation about the status of the project after he left Enron. Lay denies the remaining allegations in this paragraph.

599. In response to the allegations in paragraph 599, Lay admits that Enron and its partners invested more than \$1 billion to build Dabhol. Lay denies that plaintiffs have completely and accurately described the problems encountered in connection with the Dabhol project. Lay further denies that the regulatory/political problems in finalizing the project were continuous, but Lay admits that Enron ultimately did experience regulatory/political problems in finalizing the project. Lay denies any remaining allegations in this paragraph.

600. In response to the allegations in paragraph 600, plaintiffs have not provided the date of the alleged Wall Street Journal article; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 600.

601. In response to the allegations in paragraph 601, the allegation that Enron had a 50% "interest" in the project is vague and ambiguous because plaintiffs have failed to describe the nature of the alleged interest; Lay is therefore without knowledge or information sufficient to

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form a belief as to the truth of this allegation. Lay denies the remaining allegations in this paragraph.

602. In response to the allegations in paragraph 602, Lay denies the allegations in the second sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

603. In response to the allegations in paragraph 603, Lay denies the allegations in the first sentence of this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

604. In response to the allegations in paragraph 604, Lay denies the allegations in the first sentence of this paragraph, but Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 604.

605. In response to the allegations in paragraph 605, Lay denies the allegations in the first sentence of this paragraph, but Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 605.

606. In response to the allegations in paragraph 606, Lay admits that Enron made an effort to sell Elektro, but is without knowledge or information sufficient to form a belief as to the truth of the allegation about the amount of the offering price or the name "Project California." Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about an alleged transfer to Whitewing or the current value of Elektro. Lay denies the remaining allegations in this paragraph.

607. In response to the allegations in paragraph 607, Lay admits that PromiGas was a Columbian company with an interest in a pipeline and that Enron had an ownership interest in Promigas, but Lay is without knowledge or information sufficient to form a belief as to the truth

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of the remaining allegations in the first sentence of this paragraph. The allegations about the carrying price of PromiGas are vague and ambiguous because plaintiffs have failed to provide the quarters for the alleged valuations; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about an alleged transfer to Whitewing. Lay denies the remaining allegations in this paragraph.

608. In response to the allegations in paragraph 608, Lay denies the allegations in the first sentence. Lay admits that Enron owned an interest in a refinery with environmental problems relating to MTBE. Lay denies the remaining allegations in this paragraph.

609. In response to the allegations in paragraph 609, Lay admits that a deal approval sheet reflects the Project Timber deal with EOTT was to close on June 29, 2001, but Lay denies that plaintiffs have accurately described the proposed terms of the deal. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in the first two sentences of this paragraph, and is further without knowledge or information sufficient to form a belief as to the truth the allegations relating to the specific accounting treatment of this transaction. Lay denies the remaining allegations in this paragraph.

610. Lay denies the allegations in paragraph 610.

611. Lay denies the allegations in paragraph 611.

612. In response to the allegations in paragraph 612, Lay admits that Enron's registration statements incorporated by reference the 10-K reports set forth in plaintiffs' chart. The allegations regarding the effective date constitute legal conclusions to which Lay need not respond. Lay further admits that plaintiffs' chart sets forth certain information regarding certain Enron offerings, but Lay refers to Enron's public filings for the precise details of the offerings.

613. Lay denies the allegations in paragraph 613.

614. Lay denies the allegations in paragraph 614.

615. In response to the allegations in paragraph 615, Lay admits that the registration statements “incorporate by reference all documents filed pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and prior to the termination of this offering.” Lay denies the remaining allegations in this paragraph.

616. Lay denies the allegations in paragraph 616.

617. In response to the allegations in paragraph 617, Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged knowledge or conduct of attorney and bank defendants. Lay denies the remaining allegations in this paragraph.

618. In response to the allegations in paragraph 618, Lay denies the allegations in the first sentence. The allegation about the allegedly incorporated disclosure is vague and ambiguous because plaintiffs have failed to provide a citation for the allegedly incorporated disclosure; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

619. In response to the allegations in paragraph 619, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations concerning the alleged knowledge of the bank and lawyer defendants. Lay denies the remaining allegations in this paragraph.

620. Lay denies the allegations in paragraph 620.

621. Lay denies the allegations in paragraph 621.

622. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 622.

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623. Lay denies the allegations in paragraph 623.

624. In response to the allegations in paragraph 624, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in the last sentence of this paragraph. Lay denies the remaining allegations in this paragraph.

625. In response to the allegations in paragraph 625, the allegations in the last sentence are vague and ambiguous because plaintiffs have failed to allege the specific offering documents to which they are referring; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits the remaining allegations in paragraph 625.

626. In response to the allegations in paragraph 626, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to alleged risk analysis and statements by the bank defendants. Lay denies the remaining allegations in this paragraph.

627. In response to the allegations in paragraph 627, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the bank defendants. The reference to unspecified offerings is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the allegations about statements allegedly incorporated in such unspecified offerings. Lay denies the remaining allegations in this paragraph.

628. In response to the allegations in paragraph 628, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the alleged knowledge of the bank defendants and the attorney defendants. Lay denies the remaining allegations in this paragraph.

629. In response to the allegations in paragraph 629, Lay admits that plaintiffs have selectively quoted a portion of Enron's 2000 10-K, and that the prospectus for Enron's zero coupon convertible notes incorporated Enron's 2000 10-K. Lay admits that Enron's 2000 10-K reflected credit reserves of \$452 million.

630. In response to the allegations in paragraph 630, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in the second sentence and the alleged knowledge of the bank defendants and attorney defendants. Lay denies the remaining allegations in this paragraph.

631. In response to the allegations in paragraph 631, Lay denies that plaintiffs have accurately quoted from Enron's 1999 10-K. Lay denies the remaining allegations in this paragraph.

632. Lay denies the allegations in paragraph 632.

633. Lay denies the allegations in paragraph 633.

634. In response to the allegations in paragraph 634, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about the specific technical aspects of Enron's broadband network, but Lay denies that Enron's network did not work and denies any remaining allegations in this paragraph.

635. In response to the allegations in paragraph 635, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about alleged statements by unnamed persons. Lay denies the remaining allegations in this paragraph.

636. In response to the allegations in paragraph 636, Lay denies that plaintiffs have accurately quoted from Enron's 2000 10-K. Lay denies the remaining allegations in this paragraph.

637. In response to the allegations in paragraph 637, Lay denies the allegations in the first sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

638. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 638.

639. In response to the allegations in paragraph 639, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation about Enron's ability to make a broadband connection between two specific cities, such as Portland and Seattle. Lay denies the remaining allegations in paragraph 639.

640. In response to the allegations in paragraph 640, Lay denies the allegations in the last sentence of this paragraph. The allegation that Enron's results showed "dramatic improvement" is vague and ambiguous because plaintiffs have failed to define that term; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Further, the allegations about Enron's "income" are vague and ambiguous because plaintiffs have failed to allege whether this term excludes certain items; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the allegations about net income. The allegations in the first sentence are vague and ambiguous because plaintiffs have failed to allege the specific 10-Q's and 10-K's that allegedly were incorporated; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits that plaintiffs have correctly alleged the amounts of revenue reported in Enron's 10-Q for the first quarter of 2001 and Enron's 10-Q for the first quarter of 2000. Lay denies the remaining allegations in this paragraph.

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641. In response to the allegations in paragraph 641, Lay denies the allegations in the last sentence of this paragraph. Lay further denies that plaintiffs have correctly alleged the precise revenue numbers reported by Enron. The allegations about Enron's "income" are vague and ambiguous because plaintiffs have failed to allege whether this term excludes certain items; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the allegations about net income. Lay admits that plaintiffs have selectively quoted a portion of Enron's 1999 10-K. Lay denies the remaining allegations in this paragraph.

641.1 In response to the allegations in paragraph 641.1, Lay denies the allegations in the first sentence. Lay admits that there were security offerings for certain affiliates of Enron, and that certain securities were listed on the Luxembourg stock exchange. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

641.2 In response to the allegations in paragraph 641.2, Lay admits that offerings were made by the entities listed in this paragraph, but Lay denies that plaintiffs have accurately and completely alleged the terms, conditions or participants.

641.3 In response to the allegations in paragraph 641.3, Lay admits that there was an offering for Osprey Trust and Osprey I, Inc., but Lay denies that plaintiffs have accurately and completely alleged the terms, conditions or participants. The allegation about repayment of the notes depending upon Enron is vague and ambiguous, and Lay is thus without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay admits the notes were publicly traded on the Luxembourg exchange.

641.4 In response to the allegations in paragraph 641.4, Lay denies that plaintiffs have identified completely and accurately the underwriters who were involved in the offering.

641.5 Lay admits the allegations in paragraph 641.5.

641.6 In response to the allegations in paragraph 641.6, Lay denies that plaintiffs have accurately quoted the description of Enron's business provided in the Offering Circular.

641.7 In response to the allegations in paragraph 641.7, Lay admits that there was a Yosemite offering, but denies that plaintiffs have accurately and completely alleged the terms, conditions or participants. The allegation about repayment of the notes depending upon Enron is vague and ambiguous, and Lay is thus without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay admits the notes were publicly traded on the Luxembourg exchange.

641.8 In response to the allegations in paragraph 641.8, Lay denies that plaintiffs have identified completely and accurately the underwriters who were involved in the offering.

641.9 In response to the allegations in paragraph 641.9, Lay denies that plaintiffs have accurately or completely described the documents incorporated by the offering memorandum.

641.10 Lay denies the allegations in paragraph 641.10.

641.11 In response to the allegations in paragraph 641.11, Lay denies that plaintiffs have accurately quoted the description of Enron's business provided in the Offering Circular.

641.12 In response to the allegations in paragraph 641.12, Lay admits that there was a Yosemite offering, but denies that plaintiffs have accurately and completely alleged the terms, conditions or participants. The allegation about repayment of the notes depending upon Enron is vague and ambiguous, and Lay is thus without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay admits the notes were publicly traded on the Luxembourg exchange.

641.13 In response to the allegations in paragraph 641.13, Lay denies that plaintiffs have identified completely and accurately the underwriters who were involved in the offering.

641.14 Lay admits the allegations in paragraph 641.14.

641.15 Lay denies the allegations in paragraph 641.15.

641.16 In response to the allegations in paragraph 641.16, Lay admits that plaintiffs have selectively quoted portions of the information provided in the offering circular.

641.17 In response to the allegations in paragraph 641.17, Lay admits there was an offering of Enron Credit Linked Notes, but denies that plaintiffs have accurately and completely alleged the terms, conditions or participants. The allegation about repayment of the notes depending upon Enron is vague and ambiguous, and Lay is thus without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay admits the notes were publicly traded on the Luxembourg exchange.

641.18 In response to the allegations in paragraph 641.18, Lay denies that plaintiffs have identified completely and accurately the underwriters who were involved in the offering.

641.19 Lay admits the allegations in paragraph 641.19.

641.20 In response to the allegations in paragraph 641.20, Lay admits that plaintiffs have selectively quoted portions of the information provided in the offering circular.

641.21 In response to the allegations in paragraph 641.21, Lay admits there was an offering of Senior Secured Notes for Osprey Trust and Osprey I, Inc, but denies that plaintiffs have accurately and completely alleged the terms, conditions or participants. The allegation about repayment of the notes depending upon Enron is vague and ambiguous, and Lay is thus without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay admits the notes were publicly traded on the Luxembourg exchange.

641.22 In response to the allegations in paragraph 641.22, Lay denies that plaintiffs have identified completely and accurately the underwriters who were involved in the offering.

641.23 Lay admits the allegations in paragraph 641.23.

641.24 In response to the allegations in paragraph 641.24, Lay admits that plaintiffs have selectively quoted portions of the information provided in the offering circular.

641.25 In response to the allegations in paragraph 641.25, Lay admits there was an offering of Enron Credit Linked Notes, but denies that plaintiffs have accurately and completely alleged the terms, conditions or participants. The allegation about repayment of the notes depending upon Enron is vague and ambiguous, and Lay is thus without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay admits the notes were publicly traded on the Luxembourg exchange.

641.26 In response to the allegations in paragraph 641.26, Lay denies that plaintiffs have identified completely and accurately the underwriters who were involved in the offering.

641.27 Lay admits the allegations in paragraph 641.27.

641.28 In response to the allegations in paragraph 641.28, Lay admits that plaintiffs have selectively quoted portions of the information provided in the offering circular.

641.29 In response to the allegations in paragraph 641.29, Lay admits there was an offering of Enron Euro Credit Linked Notes, but denies that plaintiffs have accurately and completely alleged the terms, conditions or participants. The allegation about repayment of the notes depending upon Enron is vague and ambiguous, and Lay is thus without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay admits the notes were publicly traded on the Luxembourg exchange.

641.30 In response to the allegations in paragraph 641.30, Lay denies that plaintiffs have identified completely and accurately the underwriters who were involved in the offering.

641.31 Lay admits the allegations in paragraph 641.31.

641.32 In response to the allegations in paragraph 641.32, the allegation that the documents contained the “same information” is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

641.33 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 641.33.

641.34 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 641.34.

641.35 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 641.35.

641.36 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 641.36.

641.37 In response to the allegations in paragraph 641.37, Lay admits there was an offering by Marlin entities, but denies that plaintiffs have accurately and completely alleged the terms, conditions or participants. The allegation about repayment of the notes depending upon Enron is vague and ambiguous, and Lay is thus without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay admits the notes were publicly traded on the Luxembourg exchange.

641.38 In response to the allegations in paragraph 641.38, Lay denies that plaintiffs have identified completely and accurately the underwriters who were involved in the offering.

641.39 Lay admits the allegations in paragraph 641.39.

641.40 In response to the allegations in paragraph 641.40, Lay admits that plaintiffs have selectively quoted portions of the information provided in the offering circular.

641.41 Lay denies the allegations in paragraph 641.41.

641.42 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 641.42.

641.43 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 641.43.

641.44 In response to the allegations in paragraph 641.44, Lay denies the allegation that “risk” was foisted upon purchasers to the extent the allegation implies excessive risk or improper conduct by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 641.44.

642. The allegations in paragraph 642 relate to the bank defendants and do not relate to Lay; Lay therefore is not required to respond to the allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

643. In response to the allegations in paragraph 643, Lay denies that there was a scheme to defraud Enron investors. The remaining allegations in paragraph 643 relate to the bank defendants and do not relate to Lay; Lay therefore is not required to respond to the allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

644. The allegations in paragraph 644 relate to the bank defendants and do not relate to Lay; Lay therefore is not required to respond to the allegations in this paragraph. In any event,

Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

645. The allegations in paragraph 645 relate to the bank defendants and do not relate to Lay; Lay therefore is not required to respond to the allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

646. In response to the allegations in paragraph 646, Lay denies the allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

647. In response to the allegations in paragraph 647, Lay denies the allegations in the first sentence and denies that Enron was a Ponzi scheme and any remaining allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

648. In response to the allegations in paragraph 648, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in the first sentence. Lay admits that plaintiffs have selectively quoted portions of several articles from different publications.

649. In response to the allegations in paragraph 649, Lay denies that Enron was engaging in illicit and improper transactions to falsify its financial results, denies there was an Enron scheme to defraud, and denies any remaining allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

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650. In response to the allegations in paragraph 650, Lay denies that Enron's financial condition was far worse than was publicly disclosed by Enron and denies any remaining allegations relating to Enron. The remaining allegations relate to the bank defendants and do not relate to Lay; Lay therefore is not required to respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

651. In response to the allegations in paragraph 651, Lay denies the allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

652. In response to the allegations in paragraph 652, the allegation that Enron and JP Morgan had "an extensive and extremely close relationship" is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the allegations in the first sentence of this paragraph. Lay denies that there was a scheme and denies the allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about alleged investments by JP Morgan executives in LJM2. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

653. In response to the allegations in paragraph 653, Lay denies that there was a fraudulent scheme; that Enron had a fraudulent course of conduct and business; and that there were illicit SPEs and partnerships. Lay further denies that Enron falsified its financial results, financial condition, liquidity or creditworthiness and denies any remaining allegations relating to Enron. Lay further denies that he constantly interacted with JP Morgan on an almost daily basis.

Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

654. The allegations in paragraph 654 relate to the bank defendants and do not relate to Lay; Lay therefore is not required to respond to the allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

655. In response to the allegations in paragraph 655, Lay denies that plaintiffs have accurately alleged the number of shares and the offering price for the May 1998 and February 1999 offerings. Lay further denies that the offering documents reflect that JP Morgan acted as one of the underwriters for all of the security offerings in this paragraph.

656. In response to the allegations in paragraph 656, Lay denies that plaintiffs have accurately and completely alleged the terms of the offerings. Lay admits that JP Morgan acted as one of the underwriters on the security offerings in this paragraph.

657. In response to the allegations in paragraph 657, Lay admits that JP Morgan or related entities were involved in loans to Enron and/or Enron-related entities. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations concerning the precise transactions or the precise details of such transactions.

658. In response to the allegations in paragraph 658, Lay admits that Enron had back-up credit facilities that provided additional liquidity. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

659. In response to the allegations in paragraph 659, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about alleged loans made by JP Morgan. Lay denies the remaining allegations in paragraph 659.

660. In response to the allegations in paragraph 660, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to JP Morgan's state of mind; alleged involvement of JP Morgan executives and managing directors in LJM2; and profits, fees, interest and other payments received by JP Morgan. The allegation that proceeds of security offerings were used to repay outstanding indebtedness is vague and ambiguous because it fails to identify the alleged security offerings or to specify the amount of the indebtedness allegedly repaid; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay denies the remaining allegations in this paragraph.

661. In response to the allegations in paragraph 661, Lay denies that Enron was a Ponzi scheme and denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

662. In response to the allegations in paragraph 662, the allegations about alleged statements made by JP Morgan and the alleged liability of JP Morgan relate to JP Morgan and do not relate to Lay; Lay therefore need not respond to these allegations. In any event, the allegation that JP Morgan was the lead underwriter in unspecified securities offerings is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of that allegation. Lay is further without knowledge or information sufficient to form a belief as to the truth of JP Morgan's alleged liability. Lay denies the remaining allegations in this paragraph.

663. In response to the allegations in paragraph 663, Lay is without knowledge or information sufficient to form a belief as to the truth of allegations relating to JP Morgan's state

of mind or the alleged profits of JP Morgan and/or its partners. Lay denies the remaining allegations in this paragraph.

664. In response to the allegations in paragraph 664, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about the existence of Mahonia or JP Morgan's alleged connection to Mahonia. Lay denies the remaining allegations in paragraph 664.

665. In response to the allegations in paragraph 665, Lay denies that Enron was engaged in manipulative devices and contrivances and denies the remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

666. In response to the allegations in paragraph 666, Lay admits that plaintiffs have selectively quoted a portion of a March 5, 2002 Dow Jones article.

667. In response to the allegations in paragraph 667, Lay denies the transactions were phony, but otherwise is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in the first sentence. Lay denies the remaining allegations in this paragraph.

668. In response to the allegations in paragraph 668, Lay denies the transactions were phony; that there was a scheme; and that Enron was hiding billions in loans. Lay denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

669. In response to the allegations in paragraph 669, Lay denies there was a fraudulent scheme and denies that Enron engaged in manipulative devices to inflate its reported profits, while improperly moving billions in debt off Enron's balance sheet and into the SPEs. Lay

further denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

670. In response to the allegations in paragraph 670, Lay denies the allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

671. In response to the allegations in paragraph 671, Lay denies the allegations in the third sentence and further denies that there was a scheme. Lay admits that Dynegy ultimately refused to acquire Enron and that Enron went bankrupt. Lay further denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

672. In response to the allegations in paragraph 672, Lay denies that there was an Enron fraud and denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

673. In response to the allegations in paragraph 673, Lay denies the allegations relating to Enron. The remaining allegations relate to JP Morgan and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

674. In response to the allegations in paragraph 674, Lay admits that CitiGroup provided commercial banking and investment banking services to Enron. Lay denies that there was a scheme and denies the remaining allegations relating to Enron. Lay is without knowledge

or information sufficient to form a belief as to the truth of the allegations about alleged investments by CitiGroup executives in LJM2. The remaining allegations relate to CitiGroup and do not relate to Lay; Lay therefore need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

675. In response to the allegations in paragraph 675, Lay denies that there was a fraudulent scheme; that Enron had a fraudulent course of conduct and business; and that there were illicit SPEs and partnerships. Lay further denies that Enron falsified its financial results, financial condition, liquidity or creditworthiness, and denies any remaining allegations concerning Enron. Lay further denies that he constantly interacted with CitiGroup on an almost daily basis. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

676. The allegations in paragraph 676 relate to CitiGroup and do not relate to Lay; Lay therefore is not required to respond to the allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

677. In response to the allegations in paragraph 677, Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged offering in November 1993. Lay denies that plaintiffs have accurately or completely alleged the terms or proceeds of the December 1995, February 1999, or August 1999 offerings. Lay admits that plaintiffs have correctly described certain portions of the remaining offerings. Lay admits that CitiGroup acted as one of the underwriters on the security offerings in this paragraph.

678. In response to the allegations in paragraph 678, Lay denies that plaintiffs have accurately described the Yosemite offering. Lay admits that CitiGroup or certain of its affiliates acted as one of the underwriters on the security offerings in this paragraph.

679. In response to the allegations in paragraph 679, Lay admits that CitiGroup acted as an underwriter in October 2000 for the New Power IPO. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to CitiGroup's alleged state of mind. Lay denies the remaining allegations in this paragraph.

680. In response to the allegations in paragraph 680, Lay admits that certain affiliates of CitiGroup were involved in several loans to Enron and/or Enron-related entities, including Enron's backup credit lines. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations regarding the precise transactions or the precise details of such transactions.

681. In response to the allegations in paragraph 681, Lay denies the allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

682. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 682.

683. In response to the allegations in paragraph 683, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to CitiGroup's state of mind; the alleged credit hedging transactions; and profits, fees, interest and other payments received by CitiGroup. The allegation that proceeds of security offerings were used to repay outstanding indebtedness is vague and ambiguous because it fails to identify the alleged security offerings or to specify the amount of the indebtedness allegedly repaid; Lay is therefore

without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay denies the remaining allegations in this paragraph.

684. In response to the allegations in paragraph 684, Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged details of the alleged Delta transactions, the alleged admissions of Charlie Leonard, or CitiGroup's alleged involvement. Lay denies the remaining allegations in paragraph 684.

685. In response to the allegations in paragraph 685, Lay denies the allegations relating to Enron. The remaining allegations relate to CitiGroup and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

686. In response to the allegations in paragraph 686, Lay is without knowledge or information sufficient to form a belief as to the truth of allegations relating to CitiGroup's state of mind or the alleged profits of CitiGroup. Lay denies the remaining allegations in this paragraph.

687. In response to the allegations in paragraph 687, Lay denies that there was an Enron fraudulent scheme or scheme to defraud and denies the remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

688. In response to the allegations in paragraph 688, Lay denies the allegations in the second sentence and further denies that there was a scheme. Lay admits that Dynegy ultimately refused to acquire Enron; that Enron went bankrupt; that Enron reported a loss in the third quarter of 2001; and that Enron restated its financial results. Lay denies any remaining

allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

689. In response to the allegations in paragraph 689, Lay denies the allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

690. In response to the allegations in paragraph 690, Lay denies the allegations in the second sentence and further denies that there was a scheme. Lay denies any remaining allegations concerning Enron. Lay admits that Harrison apparently did call Moody's, but denies that plaintiffs have accurately or completely characterized the purpose of that call. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about specific alleged efforts by Rubin. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

691. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 691.

692. In response to the allegations in paragraph 692, Lay denies the allegations relating to Enron. The remaining allegations relate to CitiGroup and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

693. In response to the allegations in paragraph 693, the allegation that Enron and CS First Boston had "an extensive and extremely close relationship" is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits that CS First Boston provided commercial banking and investment

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banking services to Enron. Lay denies that there was a scheme and denies the remaining allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about alleged investments by CS First Boston executives in LJM2. The remaining allegations relate to CS First Boston and do not relate to Lay; Lay therefore need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

694. In response to the allegations in paragraph 694, Lay denies that there was a fraudulent scheme; that Enron had a fraudulent course of conduct and business; and that there were illicit SPEs and partnerships. Lay further denies that Enron falsified its financial results, financial condition, liquidity or creditworthiness. Lay denies any remaining allegations concerning Enron. Lay further denies that he constantly interacted with CS First Boston on an almost daily basis. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

695. The allegations in paragraph 695 relate to CS First Boston and do not relate to Lay; Lay therefore is not required to respond to the allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

696. In response to the allegations in paragraph 696, Lay denies that CS First Boston is listed as one of the underwriters for the July 1994, November 1996, and January 1997 offerings, but admits that CS First Boston is shown as an underwriter for the remaining offerings. Lay denies that plaintiffs have accurately alleged the terms of the May 1998 and February 1999

offerings. Lay admits that plaintiffs have correctly alleged certain elements of the remaining offerings.

697. In response to the allegations in paragraph 697, Lay denies that plaintiffs have accurately alleged the number of shares or the share price for the New Power offering. Lay admits that CS First Boston is shown as an underwriter for the New Power offering. Lay denies the remaining allegations in this paragraph.

698. In response to the allegations in paragraph 698, Lay denies that Enron was the seller of the shares. Lay denies that plaintiffs have accurately alleged the number of shares or the price per share. Lay admits that the IPO was in June 1999 and that CS First Boston was an underwriter. Lay denies the remaining allegations in this paragraph.

699. In response to the allegations in paragraph 699, Lay denies that plaintiffs have accurately or completely alleged the terms and amounts of the offerings or the underwriters of the offerings identified in this paragraph.

700. In response to the allegations in paragraph 700, Lay admits that CS First Boston acted as Enron's financial adviser in the PGE transaction. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 700.

701. In response to the allegations in paragraph 701, Lay admits that CS First Boston or its affiliates were involved in several loans to Enron and/or Enron-related entities. Lay is without knowledge or information sufficient to form a belief as to the truth of allegations regarding the precise transactions or the precise details of such transactions.

702. In response to the allegations in paragraph 702, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to CS First

Boston's state of mind; alleged steps by CS First Boston to limit risk; and profits, fees, interest and other payments received by CS First Boston. The allegation that proceeds of security offerings were used to repay outstanding indebtedness is vague and ambiguous because it fails to identify the alleged security offerings or to specify the amount of the indebtedness allegedly repaid; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay denies the remaining allegations in this paragraph.

703. In response to the allegations in paragraph 703, Lay denies the allegations relating to Enron. The remaining allegations relate to CS First Boston and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

704. In response to the allegations in paragraph 704, Lay is without knowledge or information sufficient to form a belief as to the truth of allegations relating to CS First Boston's state of mind or the alleged profits of CS First Boston. Lay denies the remaining allegations in this paragraph.

705. In response to the allegations in paragraph 705, Lay is without knowledge or information sufficient to form a belief as to the truth of allegations relating to CS First Boston's state of mind. Lay denies the remaining allegations in this paragraph.

706. In response to the allegations in paragraph 706, Lay denies the allegations in the first sentence and denies that Enron misrepresented the transaction. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about alleged statements by CS First Boston and Andersen spokespersons. Lay denies the remaining allegations in this paragraph.

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707. In response to the allegations in paragraph 707, Lay denies that there was a scheme and denies the allegations relating to Enron. The remaining allegations relate to CS First Boston and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

708. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 708.

709. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 709.

710. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 710.

711. In response to the allegations in paragraph 711, the allegation about Enron's stock price trading at \$48.50 is vague and ambiguous because it fails to specify the alleged date; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

712. In response to the allegations in paragraph 712, Lay denies there was an Enron fraudulent scheme and denies that Enron falsified its financial results. Lay further denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

713. In response to the allegations in paragraph 713, Lay denies the allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

714. In response to the allegations in paragraph 714, Lay denies the allegations relating to Enron. The remaining allegations relate to CS First Boston and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

715. In response to the allegations in paragraph 715, the allegation that Enron and CIBC had “an extensive and extremely close relationship” is vague and ambiguous; Lay is therefore without knowledge of information sufficient to form a belief as to the truth of this allegation. Lay admits that CIBC provided commercial banking and investment banking services to Enron. Lay denies that there was a scheme and denies the remaining allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about alleged investments by CIBC executives in LJM2. The remaining allegations relate to CIBC and do not relate to Lay; Lay therefore need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

716. In response to the allegations in paragraph 716, Lay denies that there was a fraudulent scheme; that Enron had a fraudulent course of conduct and business; and that there were illicit SPEs and partnerships. Lay further denies the remaining allegations relating to Enron. Lay further denies that he constantly interacted with CIBC on an almost daily basis. Lay

is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

717. The allegations in paragraph 717 relate to CIBC and do not relate to Lay; Lay therefore is not required to respond to the allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

718. In response to the allegations in paragraph 718, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the November 1993 offering. Lay denies that CIBC is shown as one of the underwriters for the July 1994, January 1997, May 1998, and February 1999 security offerings. Lay admits that plaintiffs have alleged certain terms of the remaining offerings.

719. In response to the allegations in paragraph 719, Lay admits that CIBC provided commercial lending services to Enron, but Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the precise amounts alleged herein.

720. In response to the allegations in paragraph 720, Lay admits that CIBC is shown as an underwriter of the Marlin Water Trust II and Marlin Water Capital Corp. II notes.

721. In response to the allegations in paragraph 721, Lay denies that plaintiffs have accurately alleged the terms of the New Power offering, but admits that CIBC was an underwriter and that the IPO occurred in October 2000. Lay denies the remaining allegations in this paragraph.

722. In response to the allegations in paragraph 722, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to CIBC's state of mind; alleged steps by CIBC to limit risk; and profits, fees, interest and other payments received

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by CIBC. The allegation that proceeds of security offerings were used to repay outstanding indebtedness is vague and ambiguous because it fails to identify the alleged security offerings or to specify the amount of the indebtedness allegedly repaid; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay denies the remaining allegations in this paragraph.

723. In response to the allegations in paragraph 723, Lay denies the allegations relating to Enron. The remaining allegations relate to CIBC and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

724. In response to the allegations in paragraph 724, Lay is without knowledge or information sufficient to form a belief as to the truth of allegations relating to CIBC's state of mind or the alleged profits of CIBC. Lay denies the remaining allegations in this paragraph.

725. In response to the allegations in paragraph 725, Lay denies the allegations relating to Enron. The remaining allegations relate to CIBC and do not relate to Lay; Lay therefore need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

726. In response to the allegations in paragraph 726, Lay admits that Enron announced the Blockbuster joint venture in July 2000. The allegations about alleged assurances and statements by Enron and CIBC are vague and ambiguous because plaintiffs have failed to identify the alleged speaker or the date of the statements; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay denies any remaining allegations in paragraph 726.

727. In response to the allegations in paragraph 727, Lay denies the allegations in the first two sentences of this paragraph, except that Lay is without knowledge or information sufficient to form a belief as to the truth of CIBC's alleged state of mind or knowledge. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the formation and capitalization of EBS Content Systems LLC, or the accounting treatment of the Blockbuster joint venture. Lay denies the remaining allegations in this paragraph.

728. In response to the allegations in paragraph 728, Lay admits that Blockbuster ultimately could not obtain adequate legal rights to distribute the movies electronically; and that Enron did not restate earnings in March 2001. Lay admits that Enron terminated the Blockbuster joint venture, but denies that the termination occurred in March 2001, and further denies that the VOD project was terminated at that time. Lay denies the allegations in the first sentence of this paragraph, and further denies that the partnership was a phony contrivance; that Enron was creating phony profits to falsify its financial condition; that creating phony profits was indispensable to Enron; that the VOD partnership was an illusion; that Enron's technology did not work; that the test of the system was a catastrophic failure; and that Enron was a Ponzi scheme. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about CIBC's alleged investment; the alleged guarantee of CIBC's alleged investment; an alleged investment by nCube; and CIBC's alleged state of mind. Lay denies any remaining allegations in this paragraph.

729. In response to the allegations in paragraph 729, Lay denies that the transaction was bogus and denies any remaining allegations concerning Enron. Plaintiffs have failed to provide the date of the alleged article in The Wall Street Journal; Lay is therefore without

knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

730. In response to the allegations in paragraph 730, Lay denies that there was a scheme and denies that Enron's stock was artificially inflated. Lay admits that Enron's stock reached its all-time high of \$90-3/4 in August 2000. Lay denies any remaining allegations.

731. In response to the allegations in paragraph 731, Lay admits that there was an IPO for New Power; that CS First Boston, CitiGroup and CIBC were involved in the IPO; the allegations in the second sentence of this paragraph; and that New Power's stock price declined after the IPO. Lay denies the allegations in the first, third, and last sentences of this paragraph, and further denies that Enron desperately needed to create profits to perpetuate a Ponzi scheme; and that Enron moved to create a huge phony profit using LJM2. Lay denies any remaining allegations concerning Enron. The alleged chart of New Power's stock price is vague and ambiguous because it fails to show specific prices on specific dates; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of plaintiffs' alleged chart. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 731.

732. In response to the allegations in paragraph 732, Lay denies there was an Enron fraudulent scheme and denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

733. In response to the allegations in paragraph 733, Lay denies the allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

734. In response to the allegations in paragraph 734, Lay denies the allegations relating to Enron. The remaining allegations relate to CIBC and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

735. In response to the allegations in paragraph 735, the allegation that Enron and Merrill Lynch had “an extensive and extremely close relationship” is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits that Merrill Lynch provided commercial banking and investment banking services to Enron. Lay denies that there was a scheme and denies the remaining allegations relating to Enron. The remaining allegations relate to Merrill Lynch and do not relate to Lay; Lay therefore need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

736. In response to the allegations in paragraph 736, Lay denies that there was a fraudulent scheme; that Enron had a fraudulent course of conduct and business; and that there were illicit SPEs and partnerships. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about Schyler Tilney and his wife. Lay denies the remaining allegations relating to Enron. Lay further denies that he constantly interacted with Merrill Lynch on an almost daily basis. Lay denies that plaintiffs have accurately alleged Schyler Tilney’s position with Merrill Lynch, but admits that Schyler Tilney’s wife had a management position with EES. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

737. The allegations in paragraph 737 relate to Merrill Lynch and do not relate to Lay; Lay therefore is not required to respond to the allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

738. In response to the allegations in paragraph 738, Lay admits that Merrill Lynch acted as one of the underwriters on the security offerings in this paragraph, except for the October 1999 weather bonds. Lay is without knowledge or information sufficient to form a belief as to the remaining allegations in this paragraph.

739. In response to the allegations in paragraph 739, Lay denies that the Azurix IPO occurred in February 2000. Lay admits that Merrill Lynch acted as the lead underwriter for Azurix's IPO and that Merrill Lynch was an "initial purchaser" for Azurix's senior note offering. The allegation that Merrill Lynch helped Enron "structure" Azurix is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay denies the remaining allegations in this paragraph.

740. In response to the allegations in paragraph 740, Lay denies the allegations in the first two sentences of this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

741. In response to the allegations in paragraph 741, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to Fastow's alleged conduct, alleged investments by Merrill Lynch, Merrill Lynch's alleged state of mind, or alleged investments by Merrill Lynch customers. Lay denies the remaining allegations in this paragraph.

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742. In response to the allegations in paragraph 742, Lay denies that Enron falsified its reported results. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to Merrill Lynch's alleged knowledge or financing allegedly provided by Merrill Lynch to LJM. Lay denies the remaining allegations in this paragraph.

742.1 In response to the allegations in paragraph 742.1, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that he had a conversation with Olsen, but denies the purported quotes attributed to him. Lay admits that he had a conversation with Herb Allison, but denies that plaintiffs have accurately characterized the nature of the conversation. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about alleged conduct by Fastow; the alleged exclusion of Merrill Lynch from an offering; and the alleged rating by Olsen at an unspecified time. Lay denies any remaining allegations in this paragraph.

742.2 In response to the allegations in paragraph 742.2, Lay denies that Enron falsely improved its financial statements. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

742.3 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 742.3.

742.4 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 742.4.

742.5 In response to the allegations in paragraph 742.5, Lay denies that Enron manipulated fourth quarter and year-end 1999 earnings and further denies the remaining allegations in this paragraph relating to alleged misconduct by Enron. Lay is without knowledge

or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

742.6 In response to the allegations in paragraph 742.6, Lay denies that plaintiffs have accurately alleged the purpose of LJM2. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

742.7 In response to the allegations in paragraph 742.7, Lay denies that Enron engaged in bogus transactions or falsely boosted its financial results. Lay further denies the remaining allegations relating to alleged falsification of financial results by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of allegations relating to the specific transactions alleged in this paragraph, and Lay is thus without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

742.8 In response to the allegations in paragraph 742.8, Lay denies that Enron engaged in a sham transaction. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

742.9 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations paragraph 742.9.

742.10 In response to the allegations in paragraph 742.10, Lay denies that Enron manipulated its reported profits and further denies any remaining allegations relating to improper or fraudulent conduct by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

742.11 In response to the allegations in paragraph 742.11, Lay denies that there was “obvious impropriety” or that Enron engaged in bogus transactions. Lay further denies any remaining allegations relating to improper or fraudulent conduct by Enron. Lay is without

knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

742.12 In response to the allegations in paragraph 742.12, Lay denies that there was an “Enron fraud.” Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

742.13 In response to the allegations in paragraph 742.13, Lay denies that Enron engaged in bogus asset sales. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

742.14 In response to the allegations in paragraph 742.14, Lay denies that Enron engaged in bogus transactions. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

742.15 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 742.15.

742.16 In response to the allegations in paragraph 742.16, Lay denies that a confluence of rigged transactions had to occur for Enron to meet anticipated earnings and that Enron engaged in fraudulent or bogus transactions. Lay further denies any remaining allegations relating to improper or fraudulent conduct by Enron. Lay admits that Clifford Baxter is deceased and apparently committed suicide. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

742.17 In response to the allegations in paragraph 742.17, Lay is without knowledge or information sufficient to form a belief as to the truth of alleged specific transactions relating to Midwest Continental. Lay denies the remaining allegations in this paragraph.

742.18 In response to the allegations in paragraph 742.18, Lay denies that Enron engaged in bogus power swaps, and further denies that any allegedly bogus transactions were necessary for him to earn a bonus. Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged statement by an unnamed former executive, the alleged conduct of Whalley, or Merrill Lynch's alleged understanding. Lay denies any remaining allegations in this paragraph.

742.19 In response to the allegations in paragraph 742.19, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation about an alleged letter signed by Causey. Lay denies that there was an Enron fraud and that Enron engaged in bogus power swaps and further denies any remaining allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

742.20 In response to the allegations in paragraph 742.20, Lay is without knowledge or information sufficient to form a belief as to the truth of the details of the specific alleged transactions in this paragraph. Lay denies that Enron engaged in bogus power swaps and denies any remaining allegations of illegal or improper conduct by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

742.21 In response to the allegations in paragraph 742.21, Lay denies that there was an Enron fraud and denies any remaining allegations of illegal or improper conduct by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

742.22 In response to the allegations in paragraph 742.22, Lay denies that Enron falsely inflated its profits and denies any remaining allegations of illegal or improper conduct by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

743. In response to the allegations in paragraph 743, Lay denies that there was an Enron Ponzi scheme. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

744. In response to the allegations in paragraph 744, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to Merrill Lynch's state of mind; alleged steps by Merrill Lynch to limit risk; and profits, fees, interest and other payments received by Merrill Lynch. Lay denies the remaining allegations in this paragraph.

745. In response to the allegations in paragraph 745, Lay denies the allegations relating to Enron. The remaining allegations relate to Merrill Lynch and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

746. In response to the allegations in paragraph 746, Lay is without knowledge or information sufficient to form a belief as to the truth of allegations relating to Merrill Lynch's state of mind or the alleged profits of Merrill Lynch. Lay denies the remaining allegations in this paragraph.

747. In response to the allegations in paragraph 747, Lay is without knowledge or information sufficient to form a belief as to the truth of allegations relating to Merrill Lynch's state of mind. Lay denies the remaining allegations in this paragraph.

748. In response to the allegations in paragraph 748, Lay denies the allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

749. In response to the allegations in paragraph 749, Lay denies the allegations relating to Enron. The remaining allegations relate to Merrill Lynch and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

750. In response to the allegations in paragraph 750, the allegation that Enron and Barclays had “an extensive and extremely close relationship” is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits that Barclays provided commercial banking and investment banking services to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about Barclay’s alleged involvement in the formation of Chewco or the allegation that Barclays is a “huge” financial services institution. Lay denies that there were illicit SPEs and partnerships and denies the remaining allegations in this paragraph.

751. In response to the allegations in paragraph 751, Lay denies that there was a fraudulent scheme; that Enron had a fraudulent course of conduct and business; and that there were illicit SPEs and partnerships. Lay further denies the remaining allegations relating to Enron. Lay further denies that he constantly interacted with Barclays on an almost daily basis. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

752. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 752.

753. In response to the allegations in paragraph 753, Lay admits that Barclays was an underwriter for the February 2000 Yosemite offering. The allegations that Barclays was an underwriter for additional Enron-related securities offerings is vague and ambiguous because plaintiffs have failed to identify the alleged offerings; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

754. In response to the allegations in paragraph 754, Lay admits that Barclays provided commercial lending services to Enron, but Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the precise amounts alleged herein.

755. In response to the allegations in paragraph 755, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to Barclay's state of mind; alleged steps by Barclays to limit risk; and profits, fees, interest and other payments received by Barclays. The allegation that proceeds of security offerings were used to repay outstanding indebtedness is vague and ambiguous because it fails to identify the alleged security offerings or to specify the amount of the indebtedness allegedly repaid; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay denies the remaining allegations in this paragraph.

756. In response to the allegations in paragraph 756, Lay denies the allegations in the first sentence of this paragraph, except for the allegations relating to the alleged knowledge of Barclays, as to which Lay is without knowledge or information sufficient to form a belief as to the truth of such allegations. Lay is without knowledge or information sufficient to form a belief

as to the truth of the allegations relating to the amount of Barclay's loans or Barclays' alleged involvement with Chewco. Lay denies the remaining allegations in this paragraph.

757. In response to the allegations in paragraph 757, Lay admits that Calpers sold its interest in JEDI in 1997. Lay denies the remaining allegations in this paragraph.

758. In response to the allegations in paragraph 758, Lay admits that Calpers sold its interest in JEDI. Lay denies the allegations in the last sentence of this paragraph, except for the allegations relating to the alleged knowledge of Barclays, as to which Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

759. Lay denies the allegations in paragraph 759.

760. In response to the allegations in paragraph 760, Lay denies the allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

761. In response to the allegations in paragraph 761, Lay denies the allegations relating to Enron. The remaining allegations relate to Barclays and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

762. In response to the allegations in paragraph 762, the allegation that Enron and Lehman Brothers had "an extensive and extremely close relationship" is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits that Lehman Brothers provided commercial banking and investment

banking services to Enron. Lay denies that there was a scheme and denies the remaining allegations relating to Enron. The remaining allegations relate to Lehman Brothers and do not relate to Lay; Lay therefore need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

763. In response to the allegations in paragraph 763, Lay denies that there was a fraudulent scheme; that Enron had a fraudulent course of conduct and business; and that there were illicit SPEs and partnerships. Lay further denies that Enron falsified its financial results, financial condition, liquidity or creditworthiness and denies any remaining allegations relating to Enron. Lay further denies that he constantly interacted with Lehman Brothers on an almost daily basis. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

764. The allegations in paragraph 764 relate to Lehman Brothers and do not relate to Lay; Lay therefore is not required to respond to the allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

765. In response to the allegations in paragraph 765, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the November 1993 offering. For the remaining offerings, Lay denies that Lehman Brothers is shown as an underwriter for the February 2001 offering, but admits that Lehman Brothers or its affiliates are shown as an underwriter for the remaining security offerings listed in this paragraph. Lay denies that plaintiffs have accurately alleged the number of shares or offering price for the May 1998

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and February 1999 offerings. Lay admits that plaintiffs have correctly alleged certain terms of the remaining offerings.

766. In response to the allegations in paragraph 766, the allegation that Lehman Brothers acted as an underwriter for billions of dollars of other Enron-related offerings is vague and ambiguous because plaintiffs have only identified two offerings; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay denies that plaintiffs have accurately alleged the number of shares and the price for the New Power offering. Lay denies that Lehman Brothers is shown as an underwriter for the New Power IPO, but Lay admits that Lehman Brothers is shown as an underwriter for the Osprey offerings.

767. In response to the allegations in paragraph 767, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to Lehman Brother's alleged state of mind; alleged steps by Lehman Brothers to limit risk; and profits, fees, interest and other payments received by Lehman Brothers. Lay denies the remaining allegations in this paragraph.

768. In response to the allegations in paragraph 768, Lay denies the allegations relating to Enron. The remaining allegations relate to Lehman Brothers and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

769. In response to the allegations in paragraph 769, Lay is without knowledge or information sufficient to form a belief as to the truth of allegations relating to Lehman Brothers' state of mind or the alleged profits of Lehman Brothers. Lay denies the remaining allegations in this paragraph.

770. In response to the allegations in paragraph 770, Lay denies that there was an Enron fraudulent scheme and denies that Enron artificially inflated its 1999 earnings. Lay further denies any remaining allegations of illegal or improper conduct by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

770.1 In response to the allegations in paragraph 770.1, Lay denies that Enron artificially inflated cash flow or that Enron had a practice of using disguised loans. Lay further denies any remaining allegations of illegal or improper conduct by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

770.2 In response to the allegations in paragraph 770.2, Lay denies that Enron was suffering from a worsening liquidity crisis in the first half of 2001. Lay further denies any allegations of illegal or improper conduct by Enron. Lay incorporates by reference herein his responses to paragraphs 312, 322, 338, 341, 347, 353, 379, and 381 in response to plaintiffs' allegations about alleged analyst ratings by Lehman Brothers. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

771. In response to the allegations in paragraph 771, Lay denies the allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

772. In response to the allegations in paragraph 772, Lay denies the allegations relating to Enron. The remaining allegations relate to Lehman Brothers and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining

allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

773. In response to the allegations in paragraph 773, the allegation that Enron and Bank of America had “an extensive and extremely close relationship” is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits that Bank of America provided commercial banking and investment banking services to Enron. Lay denies that there was a scheme and denies the remaining allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about alleged investments by Bank of America executives in LJM2. The remaining allegations relate to Bank of America and do not relate to Lay; Lay therefore need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

774. In response to the allegations in paragraph 774, Lay denies that there was a fraudulent scheme; that Enron had a fraudulent course of conduct and business; and that there were illicit SPEs and partnerships. Lay further denies that Enron falsified its financial results, financial condition, liquidity or creditworthiness and denies the remaining allegations relating to Enron. Lay further denies that he constantly interacted with Bank of America on an almost daily basis. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

775. The allegations in paragraph 775 relate to Bank of America and do not relate to Lay; Lay therefore is not required to respond to the allegations in this paragraph. In any event,

Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

776. In response to the allegations in paragraph 776, Lay denies that there was a February 2000 offering as alleged by plaintiffs. Lay denies that Bank of America is shown as an underwriter of the May 1998, February 1999, and May 2000 offerings, but Lay admits that Bank of America or its affiliates were shown as an underwriter for the remaining security offerings listed in this paragraph. Lay admits that plaintiffs have accurately alleged certain of the terms of the May 1999 and May 2000 offerings. Lay denies that plaintiffs have accurately alleged the terms for the remaining offerings.

777. In response to the allegations in paragraph 777, Lay denies that Bank of America is shown as an underwriter for the December 1998 offering. Lay admits that Bank of America or its affiliates are shown as an underwriter for the remaining security offerings listed in this paragraph.

778. In response to the allegations in paragraph 778, Lay denies that Enron sold at least 19.5 million shares in the Azurix IPO. Lay further denies that plaintiffs have accurately alleged the number of shares sold in the IPO or the price of those shares. Lay admits that Bank of America or its affiliate was shown as an underwriter for the Azurix IPO. Lay denies the remaining allegations in this paragraph.

779. In response to the allegations in paragraph 779, Lay admits that Bank of America provided commercial lending services to Enron, but Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the precise amounts alleged herein.

780. In response to the allegations in paragraph 780, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to Bank of America's state of mind; alleged steps by Bank of America to limit risk; and profits, fees, interest and other payments received by Bank of America. The allegation that proceeds of security offerings were used to repay outstanding indebtedness is vague and ambiguous because it fails to identify the alleged security offerings or to specify the amount of the indebtedness allegedly repaid; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay denies the remaining allegations in this paragraph.

781. In response to the allegations in paragraph 781, Lay denies the allegations relating to Enron. The remaining allegations relate to Bank of America and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

782. In response to the allegations in paragraph 782, Lay is without knowledge or information sufficient to form a belief as to the truth of allegations relating to Bank of America's state of mind or the alleged profits of Bank of America. Lay denies the remaining allegations in this paragraph.

783. In response to the allegations in paragraph 783, Lay denies the allegations relating to Enron. The remaining allegations relate to Bank of America and do not relate to Lay; Lay therefore need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

784. In response to the allegations in paragraph 784, Lay denies the allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

785. In response to the allegations in paragraph 785, Lay denies the allegations that there was a scheme or fraudulent scheme. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

786. In response to the allegations in paragraph 786, Lay denies the allegations relating to Enron. The remaining allegations relate to Bank of America and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

787. In response to the allegations in paragraph 787, the allegation that Enron and Deutsche Bank had “an extensive and extremely close relationship” is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits that Deutsche Bank provided commercial banking and investment banking services to Enron. Lay denies that there was a scheme and denies the remaining allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about alleged investments by Deutsche Bank executives in LJM2. The remaining allegations relate to Deutsche Bank and do not relate to Lay; Lay therefore need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

788. In response to the allegations in paragraph 788, Lay denies that there was a fraudulent scheme; that Enron had a fraudulent course of conduct and business; and that there were illicit SPEs and partnerships. Lay further denies that Enron falsified its financial results, financial condition, liquidity or creditworthiness and denies the remaining allegations relating to Enron. Lay further denies that he constantly interacted with Deutsche Bank on an almost daily basis. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

789. The allegations in paragraph 789 relate to Deutsche Bank and do not relate to Lay; Lay therefore is not required to respond to the allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

790. In response to the allegations in paragraph 790, Lay denies that plaintiffs have accurately alleged the number of shares or the share price for the February 1999 offering. Lay admits that plaintiffs have accurately alleged certain terms for the remaining offerings. Lay denies that Deutsche Bank is shown as an underwriter for the January 1997 and February 1999 offerings, but admits that Deutsche Bank is shown as an underwriter for the remaining offerings.

791. In response to the allegations in paragraph 791, Lay admits that Deutsche Bank is shown as an underwriter for the security offerings listed in this paragraph.

792. In response to the allegations in paragraph 792, Lay admits that the Azurix IPO occurred on June 9, 1999 and that Deutsche Bank is shown as an underwriter. Lay denies the remaining allegations in this paragraph.

793. In response to the allegations in paragraph 793, Lay admits that Deutsche Bank provided commercial lending services to Enron, but Lay is without knowledge or information

sufficient to form a belief as to the truth of the allegations relating to the precise amounts alleged herein.

794. In response to the allegations in paragraph 794, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to Deutsche Bank's state of mind; alleged steps by Deutsche Bank to limit risk; and profits, fees, interest and other payments received by Deutsche Bank. The allegation that proceeds of security offerings were used to repay outstanding indebtedness is vague and ambiguous because it fails to identify the alleged security offerings or to specify the amount of the indebtedness allegedly repaid; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay denies the remaining allegations in this paragraph.

795. In response to the allegations in paragraph 795, Lay denies the allegations relating to Enron. The remaining allegations relate to Deutsche Bank and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

796. In response to the allegations in paragraph 796, Lay is without knowledge or information sufficient to form a belief as to the truth of allegations relating to Deutsche Bank's state of mind or the alleged profits of Deutsche Bank. Lay denies the remaining allegations in this paragraph.

797. In response to the allegations in paragraph 797, Lay denies the allegations that there was a scheme or fraudulent scheme and denies the remaining allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

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797.1 In response to the allegations in paragraph 797.1, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation about the alleged knowledge of Deutsche Bank and Bankers Trust. Lay denies the remaining allegations in this paragraph.

797.2 In response to the allegations in paragraph 797.2, Lay admits that plaintiffs purport to recite the so-called findings of a joint committee and the bankruptcy examiner, but Lay denies that such findings are accurate. Lay denies the remaining allegations in this paragraph.

797.3 In response to the allegations in paragraph 797.3, Lay is without knowledge or information sufficient to form a belief as to the truth of whether Senator Grassley made the alleged statements, but Lay denies that the substance of the alleged statements is accurate.

797.4 In response to the allegations in paragraph 797.4, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about alleged communications between the SEC and certain Congressmen or whether congressional investigators made the alleged findings. Lay denies the remaining allegations in this paragraph.

797.5 In response to the allegations in paragraph 797.5, Lay denies that Enron engaged in fraudulent tax transactions and that Enron had false financial statements, and denies any remaining allegations concerning illegal or improper conduct by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

797.6 In response to the allegations in paragraph 797.6, Lay denies that Enron engaged in fraudulent tax transactions and that Enron had false financial statements, and denies any remaining allegations concerning illegal or improper conduct by Enron. Lay is without

knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

797.7 In response to the allegations in paragraph 797.7, Lay denies that Enron artificially inflated its financial results and denies any remaining allegations concerning illegal or improper conduct by Enron. Lay admits that plaintiffs have selectively quoted a portion of an article from The Washington Post, but denies the inference that Enron had any improper motive in its tax transactions. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

797.8 In response to the allegations in paragraph 797.8, Lay denies that Enron artificially inflated its financial results and denies any remaining allegations concerning illegal or improper conduct by Enron. Lay admits that plaintiffs have selectively quoted a portion of an article from The Washington Post. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

797.9 In response to the allegations in paragraph 797.9, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about the alleged motives of Bankers Trust/Deutsche Bank; the alleged payments received by Bankers Trust/Deutsche Bank; and the alleged actions of the bankruptcy examiner. Lay denies the remaining allegations in this paragraph.

797.10 In response to the allegations in paragraph 797.10, Lay denies that Enron engaged in fraudulent tax transactions, but Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

797.11 In response to the allegations in paragraph 797.11, Lay denies that Enron artificially inflated its financial results and denies any remaining allegations concerning illegal or

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improper conduct by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

797.12 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 797.12.

797.13 In response to the allegations in paragraph 797.13, Lay admits that plaintiffs have selectively quoted a portion of a Business Week article. Lay denies any remaining allegations in this paragraph.

797.14 In response to the allegations in paragraph 797.14, Lay denies that Enron employed fraudulent devices or committed fraud, and further denies any remaining allegations concerning illegal or improper conduct by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

797.15 In response to the allegations in paragraph 797.15, Lay denies any allegations concerning illegal or improper conduct by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

797.16 In response to the allegations in paragraph 797.16, Lay denies that Enron artificially inflated earnings and denies any allegations concerning illegal or improper conduct by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

797.17 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 797.17.

797.18 In response to the allegations in paragraph 797.18, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about fees allegedly paid to Bankers Trust. Lay denies the remaining allegations in this paragraph.

797.19 In response to the allegations in paragraph 797.19, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that about an alleged tax opinion by King & Spalding. Lay denies the remaining allegations in this paragraph.

797.20 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 797.20.

797.21 In response to the allegations in paragraph 797.21, Lay denies that Enron entered into tax “schemes.” Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

797.22 In response to the allegations in paragraph 797.22, Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged admissions by Enron. Lay denies the remaining allegations in paragraph 797.22.

797.23 In response to the allegations in paragraph 797.23, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about the alleged contents of tax opinions. Lay denies the remaining allegations in this paragraph.

797.24 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 797.24.

797.25 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 797.25.

797.26 In response to the allegations in paragraph 797.26, Lay denies the allegations in the second sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

797.27 In response to the allegations in paragraph 797.27, Lay denies that Enron entered into fraudulent transactions and denies any remaining allegations of illegal or improper conduct

by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

797.28 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 797.28.

797.29 In response to the allegations in paragraph 797.29, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that about an alleged tax opinion by Akin, Gump. Lay denies the remaining allegations in this paragraph.

797.30 In response to the allegations in paragraph 797.30, Lay denies that Enron entered into fraudulent transactions and denies any remaining allegations of illegal or improper conduct by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

797.31 In response to the allegations in paragraph 797.31, Lay denies that Enron entered into fraudulent transactions or artificially inflated earnings, and Lay denies any remaining allegations of illegal or improper conduct by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

797.32 In response to the allegations in paragraph 797.32, Lay denies that Enron entered into fraudulent transactions or artificially inflated earnings, and Lay denies any remaining allegations of illegal or improper conduct by Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

798. In response to the allegations in paragraph 798, Lay denies the allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

799. In response to the allegations in paragraph 799, Lay denies the allegations relating to Enron. The remaining allegations relate to Deutsche Bank and do not relate to Lay, and the allegations also make legal conclusions; Lay is therefore not required to respond to the remaining allegations in this paragraph. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

800. In response to the allegations in paragraph 800, Lay denies that there was a scheme to defraud Enron investors. Lay denies that plaintiffs have accurately quoted the Fort Worth Star Telegram article, but Lay admits that plaintiffs have selectively quoted portions of the remaining articles from several different publications. Lay denies the remaining allegations in this paragraph.

801. In response to the allegations in paragraph 801, Lay denies that Enron used manipulative devices; that Enron falsified its reported profits and financial condition; that manipulations resulted in the restatement and Enron's bankruptcy; that Enron issued misleading or false press releases, shareholder reports and SEC filings; that there was a fraudulent scheme; and that there was a coverup or whitewash investigation. Lay further denies the remaining allegations relating to Enron. Lay admits that Vinson & Elkins was Enron's primary outside counsel and that Vinson & Elkins performed legal work for Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

802. In response to the allegations in paragraph 802, Lay denies that Enron engaged in manipulative off-balance sheet transactions. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

803. In response to the allegations in paragraph 803, Lay denies the allegations in the first sentence, except for the alleged knowledge of Vinson & Elkins, because Lay is without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay further denies the allegations in the last sentence and the remaining allegations relating to Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

804. In response to the allegations in paragraph 804, Lay denies that Enron was using phony SPEs to inflate its financial statements and denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

805. In response to the allegations in paragraph 805, Lay admits that Calpers sold its interest in JEDI in 1997. Lay denies the remaining allegations in this paragraph.

806. In response to the allegations in paragraph 806, Lay admits that Calpers sold its interest in JEDI in 1997. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the formation and structure of Chewco. Lay denies the remaining allegations in paragraph 806.

807. Lay denies the allegations in paragraph 807.

808. In response to the allegations in paragraph 808, Lay denies the allegations in the last sentence of this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 808.

809. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 809.

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810. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 810.

811. In response to the allegations in paragraph 811, Lay admits that two LJM partnerships were created. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about alleged enrichment of Fastow and unnamed friends and several of Enron's bankers; Vinson & Elkins' alleged knowledge; and the attorneys who structured, reviewed, and approved the LJM1 and LJM2 transactions. Lay denies the remaining allegations in this paragraph.

812. In response to the allegations in paragraph 812, Lay denies the allegations in the first two sentences, and further denies that Enron was a Ponzi scheme. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

813. In response to the allegations in paragraph 813, Lay denies that Enron was a Ponzi scheme. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 813.

814. In response to the allegations in paragraph 814, Lay denies the allegations in the first sentence, except for the alleged knowledge of Vinson & Elkins, because Lay is without knowledge or information sufficient to form a belief as to the truth of that allegation. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

815. In response to the allegations in paragraph 815, Lay denies the allegations in the first, third, and last sentences of this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

816. In response to the allegations in paragraph 816, Lay denies the allegations in the final four sentences of this paragraph. Lay admits that Enron or a subsidiary engaged in a hedge on its Rhythms stock. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

817. In response to the allegations in paragraph 817, Lay denies there was a fraudulent scheme and denies the allegations in the last two sentences. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

818. In response to the allegations in paragraph 818, Lay denies the allegations in the third and final sentences of this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

819. In response to the allegations in paragraph 819, Lay denies the allegations in the first sentence, except for the alleged knowledge of Vinson & Elkins, because Lay is without knowledge or information sufficient to form a belief as to the truth of that allegation. Lay denies any remaining allegations that there was an enormous or unusual motive to inflate the price of Enron's stock, and further denies that such stock price was inflated. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

820. In response to the allegations in paragraph 820, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations regarding credit capacity problems for the Raptors in 2000 and the alleged restructuring of the Raptors in 2000. Lay denies the remaining allegations in this paragraph.

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821. In response to the allegations in paragraph 821, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to transactions with Hawaii 125-0 and Porcupine. Lay denies the remaining allegations in this paragraph.

822. Lay denies the allegations in paragraph 822.

823. In response to the allegations in paragraph 823, Lay denies the allegations in the last sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

824. In response to the allegations in paragraph 824, Lay admits that it was the regular practice for Vinson & Elkins to approve Enron's SEC filings. The allegation that Vinson & Elkins drafted Enron's SEC filings is vague and ambiguous because plaintiffs have failed to allege the extent to which Vinson & Elkins was involved in the drafting process; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay denies the remaining allegations.

825. In response to the allegations in paragraph 825, Lay denies that plaintiffs have accurately paraphrased the language in Enron's disclosures and refers plaintiffs to the disclosures themselves. Lay denies the allegations in the second sentence. Lay denies that plaintiffs have accurately or fully characterized Ms. Watkins' letter or the Powers report, and Lay denies the remaining allegations in this paragraph.

826. In response to the allegations in paragraph 826, Lay admits that it would have been the regular practice for outside counsel to approve, in whole or in part, Enron's 10-K filings. Lay denies the remaining allegations in this paragraph.

827. In response to the allegations in paragraph 827, Lay admits that plaintiffs have selectively quoted a portion of Enron's 10-Q, but Lay denies that Enron's disclosure was false

and misleading. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

828. In response to the allegations in paragraph 828, Lay denies the restatement was “massive.” Lay denies the facts alleged by plaintiffs and therefore denies that there was any need to disclose plaintiffs’ version of the facts; further, Lay refers plaintiffs to the disclosures themselves. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

829. Lay denies the allegations in paragraph 829.

830. In response to the allegations in paragraph 830, Lay admits that he understood it was the regular practice for Vinson & Elkins to approve Enron’s disclosures, in whole or in part. Lay further admits that plaintiffs have selectively quoted a portion of the Powers Report. Lay denies that the Powers Report has accurately or completely characterized the disclosures and denies the remaining allegations in this paragraph.

831. In response to the allegations in paragraph 831, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about the alleged knowledge of Vinson & Elkins. Lay denies the remaining allegations in this paragraph.

832. In response to the allegations in paragraph 832, Lay admits that plaintiffs have selectively quoted a portion of Enron’s Form 10-Q filed on August 16, 1999. The allegation that the substance of the disclosure remained the same in subsequent filings is vague and ambiguous as to the filings to which plaintiffs are referring; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits that it would have been the regular practice for Vinson & Elkins to approve the disclosures, but denies the remaining allegations in this paragraph.

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833. In response to the allegations in paragraph 833, Lay admits that plaintiffs have selectively quoted a portion of the Powers report, but denies the remaining allegations in the first sentence of this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about Vinson & Elkins' alleged knowledge. Lay denies the remaining allegations in this paragraph.

834. In response to the allegations in paragraph 834, Lay admits that plaintiffs have selectively quoted a portion of Enron's Form 10-Q filed on August 14, 2001. Lay denies that Enron made false and misleading statements, but Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

835. Lay denies the allegations in paragraph 835.

836. In response to the allegations in paragraph 836, Lay admits that plaintiffs have selectively quoted a portion of Enron's Form 10-Q filed on August 16, 1999 and November 15, 1999, but Lay denies that plaintiffs have accurately or completely characterized the substance of the disclosure.

837. Lay denies the allegations in paragraph 837.

838. In response to the allegations in paragraph 838, Lay denies the allegations in the first and last sentences. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

839. In response to the allegations in paragraph 839, Lay admits that plaintiffs have selectively quoted a portion of Enron's Form 10-Q filed on August 14, 2000, but Lay denies that plaintiffs have accurately or completely characterized the substance of the disclosure.

840. In response to the allegations in paragraph 840, Lay admits that plaintiffs have selectively quoted a portion of Enron's Form 10-Q filed on November 14, 2000.

841. In response to the allegations in paragraph 841, Lay admits that plaintiffs have selectively quoted a portion of Enron's Form 10-K filed on April 2, 2001, but Lay denies that plaintiffs have accurately or completely characterized the substance of the disclosure.

842. In response to the allegations in paragraph 842, Lay admits that the related-party disclosures in Enron's Form 10-Q's filed on May 15, 2001 and August 14, 2001 also describe Enron's hedging efforts. Lay admits that plaintiffs have selectively quoted a portion of Enron's Proxy filed on March 27, 2001, but Lay denies the remaining allegations in this paragraph.

843. Lay denies the allegations in paragraph 843.

844. Lay denies the allegations in paragraph 844.

845. In response to the allegations in paragraph 845, Lay admits that plaintiffs have selectively quoted portions of various Enron SEC filings.

846. In response to the allegations in paragraph 846, Lay denies the allegations in the first sentence. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

847. In response to the allegations in paragraph 847, Lay admits that plaintiffs have selectively quoted a portion of the Powers Report, but denies that the Powers Report has accurately or completely characterized the disclosures. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

848. In response to the allegations in paragraph 848, Lay denies that plaintiffs have selectively quoted a portion of a May 2, 2000 proxy. Lay denies that Enron's 2001 proxy is "almost identical" to the related-party disclosure in the 2000 proxy. Lay further denies that Enron filed a proxy on May 1, 2001. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

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849. In response to the allegations in paragraph 849, Lay denies the allegations in the first sentence. Lay admits that plaintiffs have paraphrased the Powers' report description of the unwinding of the Rhythms transaction, but denies that the Powers Report has accurately or completely characterized the disclosures. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

850. In response to the allegations in paragraph 850, Lay admits that plaintiffs have selectively quoted a portion of a letter Ms. Watkins wrote to Lay. Lay denies that the letter excerpted in this paragraph was received by him in mid-August 2001. Lay further denies that plaintiffs have accurately or completely characterized the contents of Ms. Watkins' letter.

851. In response to the allegations in paragraph 851, Lay denies that plaintiffs have accurately or completely characterized the contents of Ms. Watkins' letter. Lay denies the remaining allegations in this paragraph.

852. In response to the allegations in paragraph 852, Lay admits that the scope of Vinson & Elkins' investigation was necessarily limited because of time constraints. Lay denies the remaining allegations in this paragraph.

853. In response to the allegations in paragraph 853, Lay admits that plaintiffs have selectively quoted a portion of a letter dated August 29, 2001 that appears to have been signed by an EES employee. Lay denies that plaintiffs have accurately characterized the contents of the letter, and further denies the accuracy of the allegations in the letter. Lay denies any remaining allegations in this paragraph.

854. Lay denies the allegations in paragraph 854.

855. In response to the allegations in paragraph 855, Lay admits that Vinson & Elkins conducted an investigation and further admits that Vinson & Elkins represented that it

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interviewed several top level Enron executives as part of the investigation. Lay further admits that plaintiffs have selectively quoted a portion of Vinson & Elkins' October 15, 2001 letter. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to the alleged knowledge of Vinson & Elkins. Lay denies the remaining allegations in this paragraph.

856. Lay denies the allegations in paragraph 856.

857 - 896. Lay admits that plaintiffs have deleted the allegations in paragraphs 857 through 896.

897. In response to the allegations in paragraph 897, Lay admits the allegations in the second and third sentences and further admits that some Andersen personnel were present at Enron's headquarters on a year-round basis. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

898. In response to the allegations in paragraph 898, Lay denies that Enron perpetrated a massive accounting fraud and denies any remaining allegations relating to Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

899. In response to the allegations in paragraph 899, Lay denies that the registration in subsection (i) was filed on December 19, 1997; that plaintiffs have accurately alleged the number of shares in subsections (ii), (iii), and (iv); that the registrations in subsections (i) and (ii) incorporate Enron's 10-K's in 1997; and that warrants were offered as alleged in subsection (ix).

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Lay admits the remaining allegations in the second and third sentences of this paragraph. Lay denies the allegations relating to Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

900. The allegations in paragraph 900 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

901. The allegations in paragraph 901 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

902. The allegations in paragraph 902 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

903. Lay admits the allegations in paragraph 903.

904. Lay admits the allegations in paragraph 904.

905. In response to the allegations in paragraph 905, Lay admits the allegations in the last sentence of this paragraph. Lay denies the allegations relating to Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations.

906. The allegations in paragraph 906 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

907. The allegations in paragraph 907 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

908. The allegations in paragraph 908 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

909. In response to the allegations in paragraph 909, Lay denies that Enron had “improper accounting as outlined below” and denies any remaining allegations relating to Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

910. In response to the allegations in paragraph 910, Lay denies that Enron’s credit rating was undeserved, and further denies that Enron structured more and more egregious transactions. The allegations in the second sentence are vague and ambiguous as to the entities to which plaintiffs are referring; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the allegations in the second sentence. Lay denies any remaining allegations relating to Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

911. In response to the allegations in paragraph 911, Lay denies that Enron used spurious accounting treatment that a layman would intuitively recognize as a ruse and denies any remaining allegations relating to Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

912. In response to the allegations in paragraph 912, Lay denies that Enron engaged in egregious examples of improper accounting as alleged in plaintiffs' complaint and denies any remaining allegations relating to Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

913. In response to the allegations in paragraph 913, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about the removal of Carl Bass and alleged conduct by Fastow, Duncan, and Berardino. Lay denies the remaining allegations in this paragraph.

914. In response to the allegations in paragraph 914, Lay denies the allegations in the last sentence of this paragraph. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

915. In response to the allegations in paragraph 915, Lay denies that there was fraud to be reported and denies the remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

916. In response to the allegations in paragraph 916, Lay denies that Enron was a debacle and denies any remaining allegations relating to Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

917. In response to the allegations in paragraph 917, Lay denies any allegations relating to Enron. The remaining allegations in paragraph 917 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

918. In response to the allegations in paragraph 918, Lay denies that Enron was engaged in fraudulent accounting or that there was an Enron fraud. Lay denies any remaining allegations relating to Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

919. In response to the allegations in paragraph 919, Lay denies that Enron was a debacle and denies any allegations relating to Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

920. The allegations in paragraph 920 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

921. In response to the allegations in paragraph 921, Lay denies that Enron was engaged in improper accounting or that its accounting posed a high risk of fraud. Lay denies any remaining allegations concerning Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

922. In response to the allegations in paragraph 922, Lay denies the allegations relating to Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

923. In response to the allegations in paragraph 923, Lay denies the allegations in the first four sentences, except for the allegations relating to Andersen's alleged knowledge, because Lay is without knowledge or information sufficient to form a belief as to the truth of that allegation. Lay denies that Enron's business and management were characterized by "highly aggressive targets." Lay admits that Enron had a program called the "Performance Unit Plan", but the allegation that unnamed executives received multi-millions of dollars in bonuses for hitting a series of stock prices is vague and ambiguous, and Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits that Enron disclosed in the fall of 2001 "prior year proposed audit adjustments and reclassifications for '97 of \$51 million." Lay denies any remaining allegations relating to Enron. Lay is without

knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

924. In response to the allegations in paragraph 924, the term net sales is vague and ambiguous because plaintiffs have failed to provide a definition; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Further, the allegation that Enron experienced “dramatic growth” is vague and ambiguous because of plaintiffs’ failure to define this term; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

925. In response to the allegations in paragraph 925, Lay denies that the risk of fraudulent financial reporting at Enron was extremely high and denies any remaining allegations concerning Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

926. In response to the allegations in paragraph 926, Lay denies that there were misrepresentations as alleged by plaintiffs in their complaint and denies any remaining allegations relating to Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

927. In response to the allegations in paragraph 927, Lay denies that Enron had improper accounting practices or fraudulent accounting practices and denies any remaining allegations concerning Enron. The remaining allegations relate to Andersen and do not relate to

Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

928. The allegations in paragraph 928 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

929. The allegations in paragraph 929 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

930. The allegations in paragraph 930 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

931. In response to the allegations in paragraph 931, Lay admits that Andersen certified Enron's 2000 financial results. Lay denies that Enron had improper accounting and denies any remaining allegations concerning Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

932. In response to the allegations in paragraph 932, Lay denies the allegations concerning Enron. The remaining allegations in paragraph 932 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

933. The allegations in paragraph 933 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

934. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 934.

935. In response to the allegations in paragraph 935, Lay denies the allegations relating to Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

936. In response to the allegations in paragraph 936, Lay is without knowledge or information sufficient to form a belief as to truth of the accuracy of the alleged quote of a January 30, 2002 article in The New York Times. Lay denies the allegations that there was improper accounting, an egregious transaction, or phony recognition. Lay denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

937. In response to the allegations in paragraph 937, Lay denies that there was improper accounting for broadband swaps. Lay admits that plaintiffs have selectively quoted a portion of a March 15, 2002 Associated Press article. Lay denies any remaining allegations concerning Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

938. In response to the allegations in paragraph 938, Lay denies that Enron engaged in the abusive use of mark-to-market accounting and denies any remaining allegations concerning Enron. The remaining allegations relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

939. In response to the allegations in paragraph 939, Lay denies that plaintiffs have accurately characterized Enron's use of mark-to-market accounting. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that plaintiffs have excerpted an article from U.S. News and World Report due to the failure to provide a date for the article. Lay denies any remaining allegations in this paragraph.

940. In response to the allegations in paragraph 940, Lay denies that Enron was ever egregious or became more egregious in using mark-to-market accounting in revenue recognition. Lay admits that Andersen approved Enron's accounting. Lay denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

941. Lay denies the allegations in paragraph 941, except for the allegations about alleged knowledge of Andersen, because Lay is without knowledge or information sufficient to form a belief as to the truth of that allegation.

942. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 942.

943. The allegations in paragraph 943 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

944. The allegations in paragraph 944 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

945. In response to the allegations in paragraph 945, Lay denies the allegations in the first sentence. The allegations in the second sentence are vague and ambiguous because plaintiffs have failed to identify the particular transactions to which they are referring; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

946. In response to the allegations in paragraph 946, Lay admits that Calpers sold its interest in JEDI in 1997. Lay denies that there were red flags to Enron and denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

947. In response to the allegations in paragraph 947, Lay denies the allegations in the last sentence of this paragraph and denies the remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

948. In response to the allegations in paragraph 948, Lay denies the allegations in the first sentence, and further denies that the details surrounding the LJM transactions presented prominent warnings. Lay further denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

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949. In response to the allegations in paragraph 949, Lay denies the allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 949.

950. In response to the allegations in paragraph 950, Lay denies the allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 950.

951. In response to the allegations in paragraph 951, Lay denies that there was “manipulation as described in ¶¶445-446, 477-484.” Lay admits that plaintiffs have selectively quoted a portion of a November 12, 2001 Bloomberg article. Lay denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

952. In response to the allegations in paragraph 952, Lay denies the allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 952.

953. In response to the allegations in paragraph 953, the allegations that Andersen offered Enron advice at every step and that Enron followed that advice is vague and ambiguous because plaintiffs have failed to identify the specific alleged advice; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these allegations. The remaining allegations in this paragraph relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

954. In response to the allegations in paragraph 954, Lay denies that Enron improperly derived income from the Raptors. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 954.

955. In response to the allegations in paragraph 955, Lay denies the allegations in the last sentence of this paragraph, and Lay further denies that the proposed adjustments were material. Lay admits that Enron disclosed in the fall of 2001 "prior year proposed audit adjustments and reclassifications for '97 of \$51 million." Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

956. In response to the allegations in paragraph 956, Lay denies that Enron's financial statements are admittedly false. The allegation that unspecified investors lost billions of dollars is vague and ambiguous because of the failure to identify the alleged shareholders; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay admits that Enron has restated its financial statements for 1997 through 2000, but Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that Andersen has stated that its audit reports should not be relied upon. Lay denies any remaining allegations in this paragraph.

957. The allegations in paragraph 957 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

958. The allegations in paragraph 958 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

959. In response to the allegations in paragraph 959, Lay denies the allegations in the first sentence. The allegation that Enron failed to make adequate disclosures improperly assumes that the allegedly undisclosed items actually occurred and/or existed; Lay therefore denies the allegations in the second sentence of this paragraph. Lay denies any remaining allegations concerning Enron. The remaining allegations in this paragraph relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

960. In response to the allegations in paragraph 960, Lay admits that plaintiffs have selectively quoted a portion of a November 5, 2001 article in The Wall Street Journal. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that the actual facts were “as noted” by The Wall Street Journal.

961. In response to the allegations in paragraph 961, Lay denies that Enron’s disclosures were inadequate and contrary to GAAS. Lay admits that Andersen approved of Enron’s accounting, but denies that plaintiffs have accurately characterized Andersen’s approval as a “fail[ure] to require revision.” Lay denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

962. In response to the allegations in paragraph 962, Lay denies that there was an Enron fraud and denies any remaining allegations concerning Enron. Lay admits that Andersen was indicted for obstruction of justice. The remaining allegations in this paragraph relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event,

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Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

963. The allegations in paragraph 963 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

964. In response to the allegations in paragraph 964, Lay denies that there was long-running fraudulent reporting by Enron, and Lay further denies that plaintiffs have accurately or completely characterized the letters written by Sherron Watkins in August 2001. Lay denies any remaining allegations concerning Enron. The remaining allegations in this paragraph relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

965. The allegations in paragraph 965 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

966. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 966.

967. The allegations in paragraph 967 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

968. The allegations in paragraph 968 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

969. In response to the allegations in paragraph 969, Lay denies that Enron's financial statements were not fairly presented and denies any remaining allegations concerning Enron. The remaining allegations in paragraph 969 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

970. In response to the allegations in paragraph 970, Lay denies that Enron had false financial reporting or improper accounting and denies any remaining allegations concerning Enron. The remaining allegations in this paragraph relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

971. The allegations in paragraph 971 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

972. The allegations in paragraph 972 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

973. The allegations in paragraph 973 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

974. The allegations in paragraph 974 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

975. The allegations in paragraph 975 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

976. The allegations in paragraph 976 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

977. The allegations in paragraph 97 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

978. The allegations in paragraph 978 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

979. The allegations in paragraph 979 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

980. The allegations in paragraph 980 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

981. The allegations in paragraph 981 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

982. The allegations in paragraph 982 relate to Andersen and do not relate to Lay; thus, Lay need not respond to these allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

983. In response to the allegations in paragraph 983, Lay admits that Enron's securities were listed on the NYSE and that Enron filed public reports with the SEC. The remaining allegations in paragraph 983 are legal conclusions to which Lay need not respond. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 983.

984. Lay denies the allegations in paragraph 984.

985. Lay denies the allegations in paragraph 985.

986. In response to the allegations in paragraph 986, Lay admits that plaintiffs purport to bring a class action as alleged in this paragraph, but Lay denies that the class alleged by plaintiffs may be properly certified. Lay denies that Enron had false and misleading Registration Statements. The allegation that unidentified persons purchased securities traceable to Enron Registration Statements is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay denies any remaining allegations in this paragraph.

987. In response to the allegations in paragraph 987, Lay admits that the members of the alleged class are numerous, but Lay denies that the class alleged by plaintiffs may be properly certified. Lay admits that plaintiffs have provided their own approximations of the

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number of outstanding shares of common stock and preferred stock instead of the actual reported numbers. The allegations that Enron had “billions of dollars of debt securities” and “thousands of investors” are vague and ambiguous as to the amount of debt and the number of investors being alleged; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of these allegations. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation about the number of alleged class members. Lay denies any remaining allegations in this paragraph.

988. Lay denies the allegations in paragraph 988.

989. In response to the allegations in paragraph 989, Lay admits that the Court has appointed lead counsel to represent plaintiffs. Lay denies the remaining allegations in paragraph 989.

990. In response to the allegations in paragraph 990, Lay denies that the class action alleged by plaintiffs would be superior to all other available methods for the fair and efficient adjudication of this controversy. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

991. The allegations in paragraph 991 state legal conclusions to which Lay need not respond. To the extent paragraph 991 contains factual allegations, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 991.

992. In response to the allegations in paragraph 992, Lay incorporates by reference his responses to paragraphs 1-991.

993. In response to the allegations in paragraph 993, Lay admits that plaintiffs purport to bring claims against the defendants listed in this paragraph, but Lay denies that plaintiffs have any valid claims.

994. Lay denies the allegations in paragraph 994.

995. Lay denies the allegations in paragraph 995.

995.1 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 995.1.

996. Lay denies the allegations in paragraph 996.

997. Lay denies the allegations in paragraph 997.

998. In response to the allegations in paragraph 998, Lay incorporates by reference his responses to paragraphs 1-997.

999. In response to the allegations in paragraph 999, Lay admits that plaintiffs purport to bring claims against the so-called Enron Defendants, but Lay denies that plaintiffs have any valid claims.

1000. In response to the allegations in paragraph 1000, Lay admits that plaintiffs purport to bring claims as detailed in Exhibit A, but Lay denies that plaintiffs have any valid claims, and further denies that plaintiffs have accurately or completely characterized his sales and purchases of Enron stock. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph or Exhibit A.

1001. Lay denies the allegations in paragraph 1001.

1002. Lay denies the allegations in paragraph 1002.

1003. Lay denies the allegations in paragraph 1003.

1004. Lay denies the allegations in paragraph 1004.

1005. In response to the allegations in paragraph 1005, Lay incorporates by reference his responses to paragraphs 75-86, 101, 103, 104, 108, 121, 124, 126, 134-135, 141, 151, 164-65, 236, 336, 384, 419, 421, 447-448, 450, 518, 610, 612-641, 899, and 986-991. Lay admits that

plaintiffs purport to disclaim allegations of fraud, intentional misconduct, or reckless misconduct, but even considering this purported disclaimer, Lay denies that plaintiffs have any valid basis for their claims.

1006. In response to the allegations in paragraph 1006, the allegations regarding the effective date constitute legal conclusions to which Lay need not respond. Lay admits that plaintiffs purport to bring claims against the defendants listed in this paragraph, but Lay denies that plaintiffs have any valid basis for their claims.

1007. Lay denies the allegations in paragraph 1007.

1008. In response to the allegations in paragraph 1008, Lay admits that Enron was the registrant of the securities sold via the Registration Statements.

1008.1 In response to the allegations in paragraph 1008.1, the allegation that unspecified offerings were registered pursuant to a shelf registration is vague and ambiguous; Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. The allegations about the effective date contain legal conclusions to which Lay need not respond. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

1009. In response to the allegations in paragraph 1009, Lay admits that he signed the Registration Statements listed in paragraph 1006. Lay is without knowledge or information sufficient to form a belief as to the truth of the allegation that the other named persons actually signed the Registration Statements. Lay admits that it would have been the normal practice for certain Enron officers and Enron's directors to review and sign Enron's registration statements, but Lay denies that he was involved in the details of preparing such statements. The allegation that Lay "caused" the filing of such statements is vague and ambiguous, and Lay is thus without

knowledge or information sufficient to form a belief as to the truth of this allegation, but Lay admits that the statements were filed with the SEC. Lay denies any remaining allegations in this paragraph.

1010. Lay denies the allegations in paragraph 1010.

1011. In response to the allegations in paragraph 1011, Lay denies the allegations in the second sentence of this paragraph. Lay admits that he signed the Registration Statements listed in paragraph 1006, but he is without knowledge or information sufficient to form a belief as to the truth of the allegation that the other named persons actually signed the Registration Statements. Lay denies that he was a seller of the securities. Lay admits that it would have been the normal practice for certain Enron officers and Enron's directors to review and sign Enron's registration statements, but Lay denies that he was involved in the details of preparing such statements. Lay is without knowledge or information sufficient to form a belief as to the truth of allegation that defendant Alliance controlled defendant Savage. Lay denies any remaining allegations in this paragraph.

1012. In response to the allegations in paragraph 1012, Lay admits that Andersen reviewed and approved of Enron's financial statements. Lay denies the remaining allegations in this paragraph.

1013. In response to the allegations in paragraph 1013, Lay denies the allegation that "the defendants detailed in the chart above are liable as detailed herein." Lay denies any allegations relating to Enron. The remaining allegations in this paragraph relate to the underwriters and do not relate to Lay; Lay thus need not respond to the remaining allegations. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

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1014. In response to the allegations in paragraph 1014, Lay denies the allegations in the second and third sentence of this paragraph. Lay further denies that there were any false and misleading Registration Statements and denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

1015. In response to the allegations in paragraph 1015, Lay denies that there were false or misleading statements or omissions. The allegation that the Registration Statements were “defective” is vague and ambiguous. Lay is therefore without knowledge or information sufficient to form a belief as to the truth of this allegation. Lay denies any remaining allegations concerning Enron. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

1016. Lay admits that plaintiffs have deleted the allegations in paragraph 1016.

1016.1 In response to the allegations in paragraph 1016.1, Lay incorporates by reference his responses to paragraphs 1-1016.

1016.2 In response to the allegations in paragraph 1016.2, Lay admits that plaintiffs purport to bring claims against the bank defendants, but Lay is without knowledge or information sufficient to form a belief as to the truth of whether the plaintiffs have any valid claims against the bank defendants.

1016.3 In response to the allegations in paragraph 1016.3, Lay admits that plaintiffs purport to bring negligence claims against the bank defendants, but Lay is without knowledge or information sufficient to form a belief as to the truth of the validity of such a claim against the bank defendants.

1016.4 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 1016.4.

1016.5 Lay denies the allegations in paragraph 1016.5.

1016.6 In response to the allegations in paragraph 1016.6, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about the alleged duties of the bank defendants to plaintiffs or the alleged knowledge of the bank defendants. Lay denies the remaining allegations in this paragraph.

1016.7 In response to the allegations in paragraph 1016.7, Lay denies the implied allegation that the Offering Memoranda contained omissions of material fact or were misleading. Lay is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

1016.8 In response to the allegations in paragraph 1016.8, Lay denies that the Offering Memoranda contained untruths or omissions, and further denies the remaining allegations in this paragraph.

1016.9 In response to the allegations in paragraph 1016.9, the allegations in this paragraph make legal conclusions to which Lay need not respond. In any event, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations relating to alleged causes of action against the bank defendants.

1016.10 In response to the allegations in paragraph 1016.10, Lay incorporates by reference his responses to paragraphs 1-991.

1016.11 In response to the allegations in paragraph 1016.11, Lay admits that plaintiffs purport to bring claims against JP Morgan and Lehman Brothers for alleged violations of the

Texas Securities Act, but Lay is without knowledge or information sufficient to form a belief as to the validity of the claims against these bank defendants.

1016.12 In response to the allegations in paragraph 1016.12, Lay admits that plaintiffs purport to bring claims against JP Morgan and Lehman Brothers for alleged violations of the Texas Securities Act, but Lay is without knowledge or information sufficient to form a belief as to the validity of the claims against these bank defendants.

1016.13 In response to the allegations in paragraph 1016.13, Lay admits that Enron restated its 1997 financial results, but Lay denies the remaining allegations in paragraph 1016.13.

1016.14 In response to the allegations in paragraph 1016.14, Lay admits that Enron's principal executive offices were located in Houston, Texas. Lay denies the remaining allegations in this paragraph.

1016.15 In response to the allegations in paragraph 1016.15, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations about alleged purchases by the Washington Board or the privity allegations relating to the bank defendants. Lay denies the remaining allegations in this paragraph.

1016.16 In response to the allegations in paragraph 1016.16, Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged conduct of the bank defendants, but Lay denies the remaining allegations in this paragraph.

1016.17 In response to the allegations in paragraph 1016.17, Lay is without knowledge or information sufficient to form a belief as to the truth of the alleged conduct of the bank defendants, but Lay denies the remaining allegations in this paragraph.

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1016.18 In response to the allegations in paragraph 1016.18, Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

1016.19 Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 1016.19.

1016.20 Lay denies the allegations in paragraph 1016.20.

1016.21 In response to the allegations in paragraph 1016.21, Lay is without knowledge or information sufficient to form a belief as to the truth of allegations relating to the alleged conduct of the bank defendants or the legal conclusions about alleged violations by the bank defendants. Lay denies the remaining allegations in paragraph 1016.21.

1016.22 In response to the allegations in paragraph 1016.22, Lay admits that the Washington Board purports to seek damages against the bank defendants and purports to tender the notes, but Lay is without knowledge or information sufficient to form a belief as to the truth of the allegations that the Washington Board actually has tendered the notes or the availability of damages against the bank defendants.

1016.23 Lay denies the allegations in paragraph 1016.23.

1016.24 In response to the allegations in paragraph 1016.24, Lay denies that there were false or misleading statements or omissions, and further denies the remaining allegations in this paragraph.

1016.25 In response to the allegations in paragraph 1016.25, Lay incorporates by reference his responses to paragraphs 1-991 and 1016.11-1016.24.

1016.26 In response to the allegations in paragraph 1016.26, Lay admits that the Washington Board purports to bring claims under the Texas Security Act, but Lay denies that the Washington Board has any valid claims.

1016.27 In response to the allegations in paragraph 1016.27, Lay admits that the Washington Board purports to bring a claim under the Texas Securities Act, but Lay denies the remaining allegations in this paragraph.

1016.28 Lay denies the allegations in paragraph 1016.28.

In response to the unnumbered paragraph entitled "Prayer for Relief," Lay denies the allegations in this paragraph.

Affirmative Defenses

Without conceding that the following are in fact affirmative defenses or that Lay has the burden of proof on the following, Lay pleads as follows:

1. Plaintiffs' claims and the purported class members' claims are barred, in whole or in part, by the applicable statute of limitations.
2. The Consolidated Class Action Complaint, in whole or in part, fails to state a claim upon which relief may be granted.
3. Because of independent intervening or superseding causes unrelated to those alleged in the Consolidated Class Action Complaint, Plaintiffs and putative class members cannot establish any liability on their claims and have not sustained any damages compensable at law.
4. The decline in price or value, the alleged transactions referenced in the Consolidated Complaint, or any other alleged injuries sustained by the plaintiffs and the putative class members was not caused by Lay, did not result from any alleged misstatement, omission, or defect in any communications referred to in the Consolidated Class Action Complaint for which Lay could be legally found to be responsible or liable, was not the proximate cause of the alleged basis of liability or plaintiffs' alleged injury, was not contemporaneous to the alleged fraud, and

was caused by economic, market, or other forces or independent intervening or superseding causes other than those alleged in the Consolidated Class Action Complaint.

5. Plaintiffs and the putative class knew or are deemed to have known of any allegedly undisclosed facts that allegedly give rise to any cause of action.

6. The truth of the matters complained of by plaintiffs and the putative class was timely disseminated in the market.

7. Lay did not know, and in the exercise of reasonable care could not have known, of the existence of the facts that allegedly give rise to liability.

8. Plaintiffs' claims and the purported class members' claims are barred, in whole or in part, by their own negligence.

9. Plaintiffs' claims and the purported class members' claims are barred, in whole or in part, by the principles of waiver, ratification, and/or estoppel.

10. Plaintiffs' claims and the alleged class members' purported claims are barred because they have failed to state the circumstances allegedly constituting fraud with the requisite particularity.

11. Plaintiffs' claims and the alleged class members' purported claims are barred because they have failed to allege facts, and cannot prove any facts, showing that Lay acted with the requisite scienter.

12. Lay was not a controlling person, and, further, he acted in good faith and did not directly or indirectly induce the act or acts constituting the alleged violations or causes of action so as to render him liable as a controlling person.

13. Some or all of plaintiffs' claims and the purported class members' claims are barred, in whole or in part, by the failure of plaintiffs and the class members to exercise due care

or due diligence and/or failure to act reasonably to protect themselves from, or to mitigate, any alleged damages.

14. Plaintiffs' claims and the purported class members' claims are barred, in whole or in part, because such claims are based upon alleged conduct that occurred before the beginning of the class period.

15. Plaintiffs' claims and the purported class members' claims are barred, in whole or in part, because the alleged actions were not in connection with the purchase or sale of a security and/or because plaintiffs lack standing to sue.

16. Plaintiffs' claims and the purported class members' claims are barred, in whole or in part, because any alleged statements by Lay constitute inactionable puffery.

17. Plaintiffs' claims and the purported class members' claims are barred, in whole or in part, because any alleged statements by Lay were not false when made.

18. Plaintiffs' claims and the purported class members' claims are barred, in whole or in part, because any alleged statements by Lay were forward-looking statements protected by the safe harbor in the Private Securities Litigation Reform Act of 1995.

19. Plaintiffs' claims and the purported class members' claims are barred, in whole or in part, because any alleged statements by Lay are protected by the bespeaks caution doctrine.

20. Plaintiffs' claims and the purported class members' claims are barred, in whole or in part, because any alleged statements or omissions by Lay were immaterial.

21. Plaintiffs' claims and the purported class members' claims are barred, in whole or in part, because any alleged statements by Lay were inactionable statements or recitations of historical facts.

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22. Plaintiffs' claims and the purported class members' claims are barred, in whole or in part, because Lay had no involvement in or control over the content of analyst reports.

23. Plaintiffs' claims and the purported class members' claims are barred, in whole or in part, because the alleged statements by Lay were inactionable non-public statements.

24. Plaintiffs' claims and the purported class members' claims are barred, in whole or in part, because Lay did not offer or sell any securities for purposes of the Texas Securities Act.

25. Plaintiffs' claims and the purported class members' claims are barred, in whole or in part, because Lay's trading in Enron stock was not based on material, non-public information, but instead was made pursuant to an approved 10b5-1 selling program and/or was based upon other legitimate and permissible reasons.

26. Plaintiffs' claims under section 11 of the 1933 Act are barred, in whole or in part, because plaintiffs were not direct purchasers of an initial public offering and/or cannot trace their alleged purchases to a registration statement.

27. Plaintiffs' claims and the purported class members' claims under section 11 of the 1933 Act are barred, in whole or in part, because section 11 does not apply to a private placement.

28. Plaintiffs' claims and the purported class members' claims are barred, in whole or in part, because plaintiffs have not adequately plead reliance, and plaintiffs did not rely upon any of the alleged statements or conduct of Lay.

29. Plaintiffs' claims for preliminary and permanent injunctive relief are barred because they cannot establish a likelihood of success on the merits and cannot succeed on the merits; they suffer from no imminent harm or irreparable injury; and they have an adequate remedy at law.

30. As to any part of a registration statement not made on the authority of an expert and not a copy or extract of a report or valuation of an expert, Lay, after reasonable investigation, had reasonable ground to believe and did believe, at the time such registration statement became effective, the statements therein were true and that there was no omission to state a material fact required to be stated.

31. As to any part of a registration statement made on the authority of an expert or reflecting a copy of or extract of a report or valuation of an expert, Lay had no reasonable ground to believe and did not believe, at the time such part of the registration statement became effective, that the statements therein were untrue, or that there was an omission to state a material fact required to be stated therein or necessary to make the statement therein not misleading, or that such part of the registration statement did not fairly represent the statement of the expert or was not a fair copy of or extract from the report or valuation of the expert.

32. As to any part of a registration statement containing a statement by an official person or a copy or extract from a public official document, Lay had no reasonable ground to believe and did not believe, at the time such part of the registration statement became effective, that the statements therein were untrue, or that there was an omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that such part of the registration statement did not fairly represent the statement made by the official person or was not a fair copy of or extract from the public official document.

33. Plaintiffs' claims are barred, in whole or in part, because the public filings, registration statements, and written and oral statements by defendants did not contain any misrepresentations or omissions, or because any alleged misrepresentations or omissions were not material.

34. Plaintiffs' claims are barred, in whole or in part, because Lay at all times acted with reasonable care and diligence with respect to the matters alleged by plaintiffs.

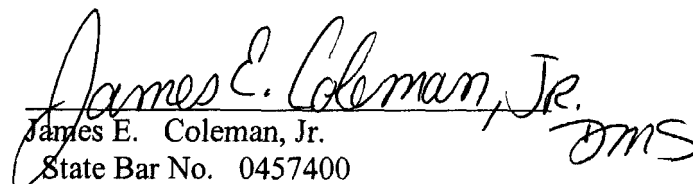
35. Plaintiffs' claims are barred, in whole or in part, because they assumed the risks disclosed by Enron and further assumed the risk that the value of Enron securities would decline.

36. Plaintiffs' claims or the claims of the purported class are barred, in whole or in part, because, as to any plaintiff who acquired an Enron security after Enron made generally available to its security holders an earnings statement covering a period of twelve months after the effective date of the registration statement, plaintiffs cannot prove reliance upon any alleged misrepresentations or omissions contained in the registration statement.

Plaintiffs and the purported class members are barred, in whole or in part, from recovery of any judgment against Lay on some or all of their claims on the ground that Lay did not owe to Plaintiffs and the purported class members the duties alleged by them.

WHEREFORE, Defendant Kenneth Lay respectfully requests that the Court dismiss plaintiffs' claims and the claims of the purported class with prejudice and enter judgment that plaintiffs and the purported class take nothing on their claims; that the Court award Lay taxable costs of court; and that the Court grant Lay such other and further relief to which he may be justly entitled.

Respectfully submitted,


James E. Coleman, Jr.
State Bar No. 0457400

Southern District ID No. 04574000
CARRINGTON, COLEMAN, SLOMAN
& BLUMENTHAL, L. L. P.
200 Crescent Court, Suite 1500
Dallas, Texas 75201
(214) 855-3000 (telephone)
(214) 855-1333 (telecopy)

ATTORNEY IN CHARGE FOR
DEFENDANT KENNETH L. LAY

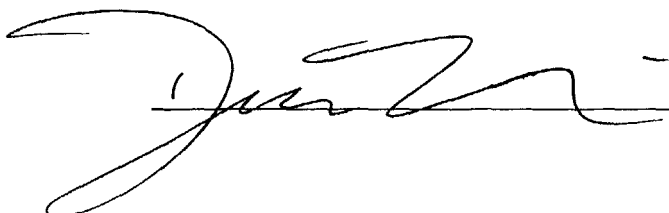
OF COUNSEL:

Diane M. Sumoski
State Bar No. 19511000
Southern District ID No. 14847

Bruce W. Collins
State Bar No. 04604700
Southern District ID No. 10451
Carrington, Coleman, Sloman & Blumenthal, L. L. P.
200 Crescent Court, Suite 1500
Dallas, Texas 75201
(214) 855-3000 (telephone)
(214) 855-1333 (telecopy)

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing pleading was served on all counsel of record on the Service List on May 27, 2003 via posting to www.esl3624.com in compliance with the Court's Order Regarding Service of Papers and Notice of Hearing Via Independent Website on June 18, 2003.



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